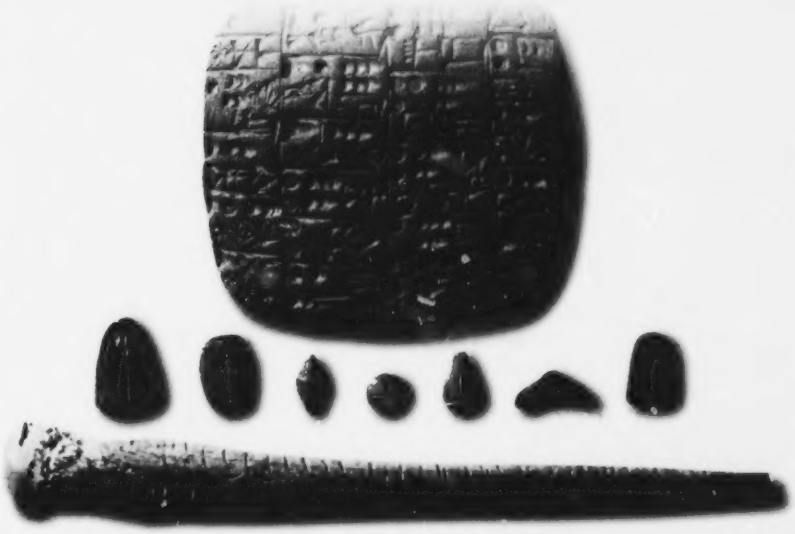
Cooperation South



NUMBER TWO
DECEMBER 1999

PARTNERSHIPS FOR DEVELOPMENT

- NORTH-SOUTH
- SOUTH-SOUTH
- NATIONAL

UNITED NATIONS DEVELOPMENT PROGRAMME
SPECIAL UNIT FOR TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES

THE CREATIVITY OF 4.7 BILLION PEOPLE

THE COVER DESIGNS USED ON ISSUES OF THIS JOURNAL PRESENT ARTIFACTS OR ARTWORKS THAT DEMONSTRATE THE CREATIVITY AND CONNECTIVITY OF PEOPLE ACROSS THE SOUTH.

The roots of writing

Recent research has documented a four-step evolution from counting with clay tokens to cuneiform writing which took place in the ancient provinces of Persia, Mesopotamia, Anatolia, Syria and Palestine (bottom to top on the cover):

Notched bones tallied phases of the moon, animal kills and other items or events. This example has 170 parallel notches in four columns and dates to 15,000-12,000 B.C.

Clay tokens were used in 8,000-2,000 B.C. They were duplicated in many geometric shapes (cones, spheres, disks, cylinders, etc.) to count grain, cattle, jugs of oil, and other goods.

Clay tablets. After 3,700 B.C. tokens were put in a clay "envelope" and their images were impressed on its surface. Later, envelopes were flattened into tablets and tokens were no longer needed.

Pictographs. Next, images were inscribed with a sharp stylus as pictographs or cuneiform writing, like the Phoenician alphabet letters shown here equivalent to M N O P Q R S I.

These markings became phonetic and opened writing to all subjects of human endeavor and to abstract counting.

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The emblem of Technical Cooperation among Developing Countries (TCDC) displays a symbolic bridge joining the countries and people of the Southern hemisphere.

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COVER MONTAGE KAYLEY LEFAIVER ADAPTED FROM NEW WRITING CAME ABOUT IN PRESS SCIENCE 1998 UNIVERSITY OF CALIFORNIA PRESS (CUNEIFORM TABLET)

Cooperation South

PARTNERSHIPS FOR DEVELOPMENT

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United Nations Development Programme

Special Unit for Technical Cooperation
among Developing Countries

This issue of *Cooperation South* is dedicated
to the lasting memory of

Julius Kambarage Nyerere

(1922-1999)

former President of the United Republic of Tanzania,
in tribute to his contribution to South-South cooperation
as Chairman of the South Commission, 1987 to 1990,
and President of the South Centre, 1990 to 1999.

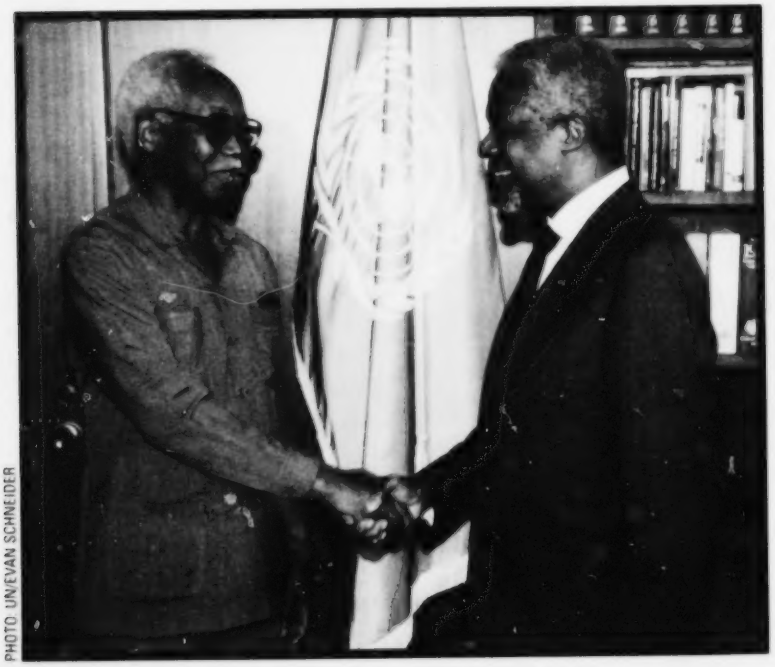

PHOTO UN/EVAN SCHNEIDER

Former President Nyerere (left) meeting with UN Secretary-General Kofi Annan on 11 January 1999.

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FROM THE ADMINISTRATOR

Buzz, or Substance?

Is "PARTNERSHIP" in danger of becoming another development buzzword? Possibly, if it is driven mainly by entrepreneurial activists seeking more sources of funding for their programs. Absolutely, if merely pursued by development faddists who think partnerships are the flavor of the month and the more the better. The point is to avoid an erratic, chaotic rush to link up just for the money or the buzz.

Development partnerships make the greatest contribution when they adopt a focused and measured way of sharing experiences and capacities to meet challenges bigger than one partner alone could handle. Achieving this requires two fundamental changes in attitude: stop looking down, and start looking outward. Experience over 50 years has shown the futility of development initiatives premised on treating the poor as objects to be investigated, measured, theorized about and intervened upon by experts and other elite groups. Working with the poor on their priorities and building on their assets in ways that empower them—in other words, in real partnership—is an entirely different process and more dynamic than working to transform them from top down and from outside. Success cannot come unless the definition of partners is horizontal: sharers, collaborators, associates.

The second change is for development organizations to become outward-looking and partnership-oriented, to move away from a static bureaucratic culture to an initiative-driven culture. The key is to shape partnerships whose combined strength and energy will match very specifically defined development needs.

At national levels, many developing countries feel besieged by a tumultuous change at a pace and on a scale never before faced. They see their political lives transformed by increasing openness in their polities, and they see their economic lives changed by an increasing reliance on market mechanisms and more open economies. There is a struggle with change, with the policy choices they face, and the institutions they need to develop to confront this new world. Internally, a major change is the redrawing of the boundaries between state, private sector, and civil society, and the search for productive forms of governance that encompass all three pillars. At regional and international level, shifts in political and economic relationships are equally significant, both speeding and redirecting the evolution of partnerships between individual countries, as well as within and between cooperative groupings of countries.

From personal experience, each writer in this issue of Cooperation South knows

one or more of the three dimensions of partnership — north-south, south-south, and national. Their articles are eyewitness testimony to the forces at work, the issues being raised, the changes being launched, and the findings being made across a broad front of development cooperation. It is my hope that bringing their ideas and insights together will have practical value for our readers who actively work in partnerships for development.

Mark Malloch Brown

Mark Malloch Brown, Administrator
United Nations Development Programme

EDITOR'S FOREWORD

New Ideals and Realities in Development Partnerships

THREE DECADES have passed since the Pearson Commission responded to the flagging of international development cooperation with appeals for global partnership based on the interests shared by both developed and developing countries. Today, the principles, forms, practices and content of development partnership all seem to be shifting in the wake of geopolitical realignments, major economic re-engineering, and recent technological advances. Inside countries, changing borders between the state, civil society and the private sector are leading to new partnership patterns based on the changed interests and capacities of these actors. Between countries, rapid changes and growing connections in trade, investment, labor, and technology are reshaping their relationships and priorities for collaboration. This issue of *Cooperation South* takes stock of the ideal and reality of such partnerships as they are evolving at global, regional and national levels.

OVERVIEW

In the opening article, John F.E. Ohiorhenuan examines the current aid regime to weigh the commitment by various donors to development cooperation. The drop of Official Development Assistance (ODA) to its lowest level in 30 years, he notes may seem to signal the abandonment of cooperation principles by some major actors. However, recent official statements stressing the need to render aid more effective through donor/recipient partnership, lead Ohiorhenuan to conclude that loyalty to development cooperation could be restored. In his view, this requires creative institutional mechanisms and radical behavioral change among donors and aid recipients.

NORTH-SOUTH PARTNERSHIPS

To improve their chances for development, developing countries urgently need to acquire the capacity to keep the unfavorable consequences of globalization in check and to exploit its opportunities. In trying to achieve this, argues Francisco Sagasti, they face two main problems: competing interests of transgovernmental, transcorporate and other networks of all kinds, which crowd the global scene, and reductions in ODA, which weaken the response capacity of development organizations at a time of increasing demand for assistance. To bridge the multiple fractures in the emerging

global order, he suggests new forms of cooperation mainly by private firms, foundations, private philanthropies, and religious groups, and by stronger links between various global actors, networks and local communities.

The strong historical ties and mutual interdependence that bound the former colonies and the nine Member States of the European Union (EU) and the former colonies in Africa, Caribbean and the Pacific (ACP) seem to have disappeared with changes in geopolitical alignments, he explains. The result, as seen by Severine M. Rugumamu, is that ACP countries have lost the ideological, strategic and economic value they formerly had for their European partners and are in danger of becoming isolated from the highly competitive international system. They are much disturbed by aid agencies imposing the neo-liberal orthodoxy as universal principles for dealing with a whole range of development issues. Since the EU-ACP Lome Convention is not to be renewed in its present form when it expires in February 2000, Rugumamu urges ACP countries to work actively together to achieve appropriate restructuring that best serves their needs.

Exemplary forms of dynamic North-South partnership are emerging in civil society coalitions, according to Edward T. Jackson, Tim Draimin and Chris Roche. In cooperative interactions between NGOs in Latin American and Canada, paternalistic donor-recipient relations are giving way to joint ownership of programs, shared decision making, and common commitment to such values as equity, justice, and solidarity. Uncertain financing also encourages NGOs to evolve creative approaches for collective action and to emphasize multi-stakeholder approaches, knowledge-intensive solutions, and results-oriented enterprises which can attract private funding. The authors conclude that the experience of NGOs can yield practical lessons for improved development planning in the future.

SOUTH-SOUTH PARTNERSHIPS

Reflecting on development efforts in the South against the background of rapid changes during the post-colonial era, Mwalimu Julius K. Nyerere stresses the need for socioeconomic transformation rooted in indigenous modes of democracy and capitalism. National-level constraints have included personal enrichment and corruption among political leaders and bureaucrats and the relatively weak response to attempts at mobilizing domestic resources for development. Looking at international constraints, he repudiates the imposition of foreign political and economic models on developing countries. In his view, allowing space for developing countries to evolve their own forms of democracy and capitalism is the correct path to development.

E. Osayimwese reviews OPEC development financing at two levels—domestic capital investment in individual member countries, and concessional finance for projects

NATIONAL PARTNERSHIPS

Exit, Voice and Loyalty in Development Cooperation

BY JOHN F.E. OHIORHENUAN *

INTRODUCTION

and what roles are needed in the public institutions of Egypt?

EXIT AND VOICE

A very good picture of the challenges the post-Rome years is presented by the US Advisory Commission 1998 Report issued by the Development Assistance Committee of the Organization for Economic Co-operation and Development (OAS/OECD). In aggregate, the volume of aid provided by DAC donors was on an upward trend from 1960 to 1992, maintaining an average level of about 0.34 per cent of their combined GNP. In the minorities, ODA flows have been more erratic, but tending towards absolute decline. As a percentage of GNP, ODA has fallen steadily from 0.33 per cent in 1992 to 0.22 per cent in 1997. This level was the lowest ever, representing in real terms a 21 per cent fall in aid from DAC members to developing countries. A small increase (to 0.24) was recorded for 1998. This rise was due in part to some members' timing of their contributions to multilateral agencies and to short-term responses to the Asian financial crisis. The increase was also due, however, to some recent policy decisions to gradually reverse the decline in aid.

There is considerable divergence among donors in accounting for the decline. Among the larger donors, the contributions from the United States, Japan, France, Germany and Italy dropped an average of 16 per cent between 1993 and 1998. The contributions of Denmark, the Netherlands, Norway and Spain did increase by 17 per cent, but this was not enough to reverse the overall decline.

From the perspective of recipient countries, the picture is even more stark. Between 1988 and 1998, ODA receipts dropped in real terms by 3.4 per cent for sub-Saharan Africa. Other regions experienced smaller declines, except developing Europe, which obtained a 13 per cent increase. As a percentage of GNP, Africa's ODA receipts declined from 6.5 to 4.4 per cent between 1992 and 1998. Net receipts of ODA by the region dropped from about US$ 20 billion in 1993 to US$ 13.1 billion in 1998.

Several reasons have been adduced for the downward trend in aid in the 1990s. First, with the end of bipolarity, the strategic importance of aid has declined. In particular, the need to use foreign aid to support client states in the East–West cold war has essentially disappeared. Second, the collapse of the communist state and the emerging globalization phenomenon have combined to greatly strengthen the logic of the market, reinforcing the view that the private sector should be the main source of financial flows to developing countries. Third, with a growing need for fiscal consolidation in most donor countries, the foreign aid budget was particularly vulnerable. Fiscal consolidation was necessary in Europe because of the requirements for members of the European

Union to maintain low budget deficits; in the United States, because of the political imperative to pursue a balanced budget; and in Japan, because of the demands of a fiscal crisis.

It is sometimes claimed that the most important reason for the declining aid trend is the serious weakening of public support for it in some of the major countries. However, the DAC *Development Cooperation 1999 Report* observes that public support for aid has remained "impressively strong". A recent UNDP review of some thirty public opinion surveys also found public support to be strong, and to have increased slightly since 1983. The weakening of support may be coming more from policy makers themselves due to a perception that aid is less necessary than in the past, perhaps because private sector flows have risen dramatically since the early 1990's. As described below, there has also been an increase in voice, questioning *inter alia* the effectiveness of aid, particularly in the last ten years.

The 1990 Report of the OECD observed that members of the Development Assistance Committee were reviewing critically the performance of individual developing countries:

The signals being given are that allocation decisions henceforth will be more influenced than in the past by a country's record on human rights and democratic practice. There will be less tolerance of bad economic decision-making. Levels of corruption will be considered. Even more than previously, funds will be concentrated where they will be effectively and efficiently used. Overall, a recipient's economic, political and social performance should become more important criteria in deciding on levels of aid (p.12).

Douglas Hurd, former United Kingdom Secretary of State for Foreign and Commonwealth Affairs, was even more direct ten years ago in announcing that countries tending towards pluralism, public accountability, respect for the rule of law, human rights and market principles should be encouraged. He stressed that Governments that persist in repressive policies, with corrupt management or wasteful and discredited economic systems, should not expect the United Kingdom to support their folly.

More recently, Peter Hain, the United Kingdom's Minister of State in the Foreign and Commonwealth Office, emphasized a selective approach to aid —an approach that rewards success and punishes failure. Hain displayed a degree of impatience towards poor performers, insisting in a statement on Africa that Britain would only support governments that stand up for democracy and human rights, economic reform, and freeing their people from poverty. Mr. Hain warned that Britain would not assist corrupt governments: "We will not subsidize economic mismanagement. We will not fund repression or bankroll dictatorship. These evils have failed Africa and we will not back failure."[2]

In June 1996, the G7 Summit held in Lyon, France, proposed a new interna-

tional partnership for development as a means of bridging the gap between countries benefiting from globalization and those "falling further behind". The G7 members committed themselves to provide substantial flows of aid and to encourage an international environment that directs trade and financial flows to developing countries. They indicated that the new development partnership would be mutually beneficial and based on a spirit of solidarity and burden sharing. On their part, developing countries were to take fundamental responsibility for promoting their development. This would mean "conducting sound and consistent economic and social policies, promoting a political and legal environment conducive to the development of the private sector, and encouraging domestic and foreign investment." The Summit further noted that democracy, human rights and good governance were indispensable components of development.

Four OECD Development Ministers have recently formed a network advocating genuine donor/recipient partnership. They are Ms. Clare Short (United Kingdom), Ms. Eveline Herfkens (the Netherlands), Ms. Heidemarie Wieczorek-Zeul (Germany) and Ms. Hilde F. Johnson (Norway). Meeting in Norway 25-26 July 1999, the Ministers issued a joint statement that outlined issues for donors and recipient countries to address in order to render aid more effective (see Box 1). According to the statement, donors need to coordinate better, put more resources into development assistance and strengthen the multilateral system, in order to help developing countries eradicate poverty and support global sustainable development. On their part, developing countries must combat corruption, strengthen democracy, prevent conflicts and implement poverty-reduction policies.

Relatively few but highly influential voices in the donor community seem to want an end to the aid regime. They rest their case on the argument that despite decades of foreign assistance, most of Africa and parts of Asia, Latin America and the Arab states are economically worse off today than they were 20 years ago. In a bitter criticism of development assistance, United States Senator Jesse Helms maintains that the billions of aid donated since the 1950s have disappeared "down the rathole".[3] Similarly, in 1997, Senator Chuck Hagel told the Senate Committee on Foreign Relations: "If US assistance has not shown benefits in a particular country in 3 decades or more, perhaps the aid should be discontinued".[4] Commenting on the status of the United States Agency for International Development, Hagel said, "Many of these agencies were born to meet the challenges of the cold war and have outlived their usefulness."[5]

TOWARDS RESTORING LOYALTY

Over the last decade, donor views have converged on the importance of recipient country ownership of development assis-

Box 1—VOICES ON DEVELOPMENT COOPERATION

In four important areas the donors particularly need to get their act together:

- ***Increased coordination:*** All donors must be prepared to adjust their programmes to achieve better coordination and thereby more effective assistance. The recipient country should be in the driver's seat. The Comprehensive Development Framework proposed by the World Bank and the United Nations Development Assistance Framework (UNDAF) provide an excellent basis, and should be implemented.
- ***Untying of aid:*** Further untying of development assistance will imply increased efficiency, improved quality and more development for every Euro. OECD members should strive to untie financial and investment-related development assistance and food aid to the Least Developed Countries, as soon as possible.
- ***Institutional and financial gap:*** Closing the institutional and financial gap between humanitarian assistance and long-term development cooperation is vital. Too often, neglect of development needs leads to new conflicts and humanitarian catastrophes.
- ***Greater coherence of all policies affecting developing countries:*** Better aid practices are not enough. Donor countries need to be equally concerned to put in place coherent policies on matters such as trade, investments and environment which support sustainable development.

The developing countries need to put their act together:

- ***Combating corruption:*** Corruption is stealing from the poor, and it is a major obstacle to development, hampering not only economic development, but also undermining democracy and destroying the credibility of government. It should be addressed through control systems, public sector reform and punishment of the perpetrators' corruption.
- ***Strengthening democracy and good governance:*** Democracy and competent and strong public authorities are the best guarantees for sustainable development. Lack of democratic participation and weak public sectors are major challenges that need to be met by developing countries and donors alike.
- ***Preventing conflicts:*** Peace is a fundamental prerequisite for development. This is a responsibility of all actors. Conflicts that have reached

a peaceful settlement may arise again unless underlying causes are removed. Development efforts should be used strategically, not just to prevent and settle conflicts, but also to consolidate peace when settlement has been reached.

- ***Implementing poverty-reducing policies:*** Developing countries themselves have to create an enabling environment to stimulate private sector investment, ensure an equitable distribution and make public expenditure more efficient and transparent.

[illegible]

tance programmes. UNDP had since 1972, with the advent of country programming and regional bureaux, stressed the need for development assistance programmes to be country-owned and country-driven. Since the 1990s, the dual themes of ownership and partnership have virtually become gospel. In a 1995 policy statement, the OECD/DAC explicitly adopted a partnership approach to development cooperation. It also stressed the importance of ownership, emphasizing the fact that aid can only play a supplementary role in a country's development process; that the ultimate responsibility lies with countries for their own development; and that success requires that the people of the countries concerned own their policies and programmes. The same view was the major premise of the Second Tokyo International Conference on African Development (TICAD II), held in October 1998. When the World Bank convened a series of consultations on the theme "partnerships for development" in 1998, it was greeted with widespread support, but also relief that the Bank had finally come around to accepting a position that most other players had already embraced.

Broad acceptance of the ideas of partnership and ownership is a significant step forward in the relations between donors and recipients. It addresses a major concern of developing countries that not only has development assistance to them been dominated by donor priorities, but their domestic policy processes have consequently tended to be driven mainly by donor conditionality.

Since the 1990s, the dual themes of ownership and partnership have virtually become gospel.

Pursuing the idea of ownership, Kanbur, Sandler and Morrison propose, as a

"radical" approach, the creation of a common pool of donor resources within which donors actually cede control to recipients. In this approach, recipient countries develop their own strategies and programmes, primarily in consultation with their own people, but also in dialogue with donors. This plan would then be implemented with the government's own resources supplemented by the common pool. The idea may sound new in the early 2000s, after two decades of policy making in developing countries (especially in Africa) being in a fire-fighting mode. But the idea of pooling external and internal resources was in fact the logic of development planning exercises from the 1950s to the 1970s. Expectations were largely unfulfilled then because the planning process was not properly contextualised.

For the common pool approach to be really meaningful, it must be based on some fundamental principles. First, ownership must be perceived not just instrumentally, but as a ramification of development as self-determination. Development can only be what the people themselves consider it to be, both in terms of specific content and the means for its attainment. The basic premise of the UNDP Human Development Reports is that the journey is at least as important as the destination. Second, as Claude Ake has stressed, the political context of development must be profoundly democratic. This is the only guarantee that the will of the people will get free expression. Third, development cooperation must take as its starting point an acceptance of people as they are. Just as a river cannot be viewed as the obstacle in a bridge-building project, a people cannot be perceived as an obstacle to their own self-actualisation.

This context suggests two issues of particular significance. First, aid-receiving countries must put in place a proper enabling environment for development cooperation. This is not simply a question of having the capacity to coordinate foreign assistance (although capacity is a critical problem). Rather it is a matter of policy makers building the self-confidence to lead the dialogue on the development process. At the technical level, this self-confidence must be based on deep understanding of the constraints and opportunities represented by globalization. More importantly, however, self-confidence comes from the knowledge that policy makers do indeed have the bulk of the population behind them. It is in this sense that developing country leadership must accept, indeed celebrate, the democratization of political life as the only sure foundation for development.

Development can only be what the people themselves consider it to be, both in terms of specific content and the means for its attainment.

Second, donor countries must fully accept the implication that ownership means a nationally driven agenda. In the very same tone that donor statements announce ownership, they immediately undertake to fully define what development means, often citing the United Nations global conferences as the basis. For instance, the OECD/DAC policy statement of 1995 argues (correctly, in my view, but only at the broadest level) that the key to development success lies in a sound policy framework; investment in social development, especially health, education and population; enhanced participation and reduced social inequalities; good governance, accountability and protection of human rights; sustainable environmental practices and addressing the root causes of conflict. In any specific country contexts, however, each item on the agenda (and perhaps even a few more) has to be fully articulated, priorities have to be determined, and trade-offs and compensatory mechanisms have to be agreed. And in the end, for better or worse, the government has to make the final, often very difficult decisions. In these circumstances, donors and recipients must invest in establishing a foundation of good faith. Beyond that, the process must fully be in the hands of policy makers. Only in this sense, historically, has ownership been really meaningful.

This sense of ownership and partnership is perhaps the main lesson of the Marshall Plan. First, there was broad consultation between the United States and Europe which resulted in a focused agenda. The Plan focused on strong production efforts, expansion of foreign trade, maintenance of international financial stability and the promotion of European economic integration.

Second, European countries were very much in the "driver's seat", although the United States was a "copilot". At the planning stage, technical experts of the United States President's Committee on Foreign Aid negotiated estimated needs with European representatives. During implementation, aid was allocated in close consultation with European governments mediated by the OEEC in Europe, in which the United States had voting rights equal to those of recipient countries.[6]

Aid-receiving countries must put in place a proper enabling environment for development cooperation.

Third, the European countries were essentially given the discretion to set production targets for a number of basic commodities. Having done so, they undertook to apply their best efforts to achieve the agreed goals over a four-year period. That degree of freedom created a sense of donor-recipient partnership and flexibility in shaping policies consistent with the economic goals of aid recipients.

Fourth, the Europeans took the initia-

tive to organize themselves under the OEEC, and to jointly map out specific courses of action, examining and analyzing individual national recovery programmes in regard to plans or targets for production, consumption, imports, and exports on a wide range of commodities. Acting as each other's keepers, OEEC members were collectively responsible for recommending the division of American aid among themselves based on the extent to which a member's individual plans and efforts contributed to European recovery in general.

Fifth, with the strong donor/recipient partnership, Europe had access to ample financial resources. In proposing the Programme, George Marshall had insisted that the United States ensure that aid be a "cure rather than a palliative". Accordingly, the United States disbursed about 200 billion dollars in today's terms to Europe over a four-year period. Such generosity was of course not entirely charity. Enlightened self-interest dictated the need to restore Europe's active participation in a workable international economic system based on unrestricted trade and payments relationships.

CONCLUSION

This article has described the interplay of exit and voice in development cooperation. While it is difficult to be overly optimistic about the future of aid, it is unlikely that it will disappear in the near future. The growing acceptance of ownership and partnership suggest that aid could become much more effective. But this will require some fundamental behavioral changes and creative institutional mechanisms among donors and recipients. The need for such changes is increasingly being recognized. However, it remains to be seen whether real action will follow this recognition. The Marshall Plan suggests that institutional creativity is possible. ■

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2. www.fco.gov.uk/news/speechtext.asp
3. See Michael Edwards, *Future Positive: International Co-operation in the 21st Century*, London, Earthscan Publications Ltd., 1999, p.1.
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THE SHAPE OF THINGS TO COME:

Development Cooperation IN THE 21st Century

BY FRANCISCO SAGASTI

There is little doubt that development cooperation, as we have known it during the last five decades, is coming to an end, and now it is experiencing "an arduous transition" towards becoming "more diverse, flexible, focused and efficient." From this main thesis, the author then explores some possible avenues that development cooperation is likely to take as we enter the 21st century. The article looks at trends and motivations old and new, newly arising and newly emphasized themes, organizations as they transform into networks and coalitions, and funding, which is changing its sources and composition.

Francisco Sagasti is the President of FORO Nacional/Internacional and Director, AGENDA: Peru, both based in Lima, Peru.

INTRODUCTION

Development cooperation is undergoing an arduous transition. Decades-old habits, thought and practices are being discarded, while new ones are still in the making. Many development assistance organizations, most created in the three decades following World War II, are struggling to adapt to a vastly changed international context.

Implicit in the concept of development as it emerged following World War II was the notion that purposeful interventions could lead poor countries to achieve, in the span of one generation, the material standards of living that the industrialized West achieved in three generations or more, and without incurring the heavy social costs they had to pay or inflicted on others (primarily through colonialism). Financial and technical assistance by rich to poor countries was seen as a key instrument to reach this goal. Spurred in part by the Cold War, a great variety of development assistance agencies and programs were established in the following decades. However, starting in the late 1970s and

throughout the 1980s the international context began to change rapidly.

Several trends and many fundamental changes have shaped a new international context. Their main implications for development finance and international cooperation are summarized in Table No. 1. New security concerns make it necessary to adapt institutional arrangements to a more complex, fluid and fragmented international context. Financial and economic interdependence requires increased cooperation and improvements in the capacity of actors in the international scene to cope with global, rapidly shifting and unstable economic and financial settings. Persistent inequalities between and within nations make it imperative to reduce extreme disparities in living standards and to protect the most vulnerable social groups, so as to maintain a reasonable degree of social cohesion.

Growing social demands, particularly in countries and regions that lack the capacity to satisfy them, are creating additional international tensions and require new initiatives to reduce poverty and improve the provision of basic social services. The renewed importance of culture, religion and ethics—questions largely ignored during the thoroughly secular decades of the development cooperation experiment—has made it necessary to incorporate non-material and value considerations into debates about development. The new salience of democratic governance, together with the variety of forms democracy is taking throughout the world, has raised the issue of how to establish a collective learning process to improve the prospects for democratic practices. Finally, the advent of the knowledge society has made it urgent to build bridges across the abyss separating countries with and without the capacity to generate and utilize modern science and technology.

Several interpretations have been offered to account for these trends and changes. The concept of a *fractured global order* has been proposed to characterize the new international context that is emerging at the close of the 20th century.[3] This inherently paradoxical order is the result of processes that are putting all of us in contact with each other throughout the planet, but at the same time are creating profound divisions and cleavages between and within social groups. Three partially overlapping domains

The fractured global order which is emerging at the close of the 20th century is inherently paradoxical: it is putting all of us in contact with each other throughout the planet, but at the same time creating profound divisions and cleavages between and within social groups.

Table 1—
TRENDS IN THE EMERGING FRACTURED GLOBAL ORDER AND THEIR IMPLICATIONS FOR INTERNATIONAL COOPERATION

International security in a post-bipolar world

Main *implication*: Need to adapt institutional arrangements to a more complex, fluid, fragmented context, in which a greater diversity of actors with different objectives deal with new security threats.

- Include additional state and especially non-state actors in international cooperation initiatives.
- Possibly expand the roles and responsibilities of supra-national bodies.
- Strengthen existing and create new mechanisms to promote, monitor and follow up on international agreements and commitments.
- Launch new initiatives to deal with emerging threats to security (environmental disruptions, mass migrations, organized crime, terrorism and weapons proliferation, among others).
- Establish international law enforcement mechanisms to deal with transnational security threats.

Economic and financial interdependence

Main *implication*: Need to improve capacity of all actors on the international scene to adjust more rapidly and effectively to a global, constantly evolving, and often unstable economic and financial context.

- Promote the adoption of standards and guidelines to foster economic and financial stability and coordinate national economic policies (financial regulation, trade liberalization, monetary and exchange rate policies, etc.).
- Move towards a more flexible, coherent network of international cooperation institutions with clearly identified constituencies and a better division of labor.
- Establish flexible, possibly temporary, spaces for dialogue, debate and agreement between transgovernmental, transcorporate and transassociative networks.
- Explore systematically the varieties of market economies now in existence and the main lessons that can be derived from the way they work.

Persistent inequalities and economic uncertainty

Main *implication*: Need to address the inequalities both between and within nations, and to improve capacity of most vulnerable groups.

- Differentiate types of assistance by constituency and increase financial and technical cooperation with those groups that need it most and can benefit significantly.
- Complement development assistance initiatives with other policies that can have a great impact on the growth prospects of poor nations (for example, open markets of developed nations to products from poor countries).
- Devise mechanisms and instruments to promote private investments in poor countries and regions (for example, guarantee schemes, internationally agreed incentives).
- Establish and expand initiatives to assist small business, informal sector enterprises, ethnic minorities, women, the elderly and other excluded groups.

Social conditions

Main *implication*: Need to set and guarantee minimum standards of social conditions for all human beings, and explore new institutional arrangements at all levels (subnational, national, regional, international) to set and implement such standards.

- Devise social policies taking into account demographic considerations (age structures, expectations and needs of different social groups) to achieve standards of living compatible with human dignity.
- Promote idea that the state, the private sector and civil society organizations are jointly responsible for providing basic social services to the population, especially to the poor.
- Engage civil society organizations and business associations at local, national, regional and international levels in initiatives to improve social conditions.
- Devise initiatives and mechanisms to strengthen the social accountability of NGOs and the private sector.
- Given the threat of extensive and persistent unemployment, explore new institutional mechanisms to provide basic goods and services for those who do not have access to jobs.
- Incorporate social impact considerations into the design of economic development strategies and development assistance initiatives, rather than only compensating for negative impacts.
- Explore new financing mechanisms for social development (for example, trust funds to complement government expenditures on social services,

Table 1 (cont'd)
TRENDS IN THE EMERGING FRACTURED GLOBAL ORDER AND THEIR IMPLICATIONS FOR INTERNATIONAL COOPERATION

debt relief and debt swaps for social purposes, reallocation and decentralization of public expenditures to allow citizen participation in decisions and monitoring of social expenditures)

Culture, religion and ethical concerns

Main implication: Need to design and establish institutions and mechanisms to construct bridges across cultures, religions and ethnic groups.

- Promote consideration and respect of cultural characteristics as integral parts of development.
- Foster international dialogue on preventing violent forms of cultural assertion including, in particular, representatives of religious institutions, ethnic minorities and grass-roots organizations from different cultures and civilizations.
- Work with mass media representatives to better understand and find ways of dealing with the tensions between the processes of globalization and the reaffirmation of cultural identity.

Governance and democratic practices

Main implication: Need to establish collective learning process to improve governance structures at all levels, while respecting diversity of specific conditions prevailing in developing regions.

- Agree on basic universal principles to guide search for legitimate and more effective forms of democratic governance that respect human rights, but that also take into account different historical and cultural circumstances.
- Establish mechanisms at the regional and international level to foster consensus and commitments regarding democratic governance.
- Create spaces to foster dialogue, debate and consensus among representatives of public and private sectors and civil society, linking these spaces to governmental decision-making at all levels.
- Explore and experiment with new governance structures and mechanisms at the international level to address global problems and development cooperation in particular.
- Strengthen accountability, transparency and the Rule of Law at the

international level for both industrialized and developing countries, private corporations and civil society organizations.

Knowledge explosion and knowledge divide

Main implications. Need to establish national and international cooperation mechanisms to address the growing "knowledge divide" between nations that have the capacity to generate and utilize modern science and technology and those which do not.

- Review and redefine concepts of development and progress from a knowledge perspective, focusing on importance of science and technology capabilities to improve living standards.
- Make S&T capacity building one of the key objectives of international development cooperation during the next several decades.
- Experiment with ways to make available on a more equitable basis the knowledge and financial resources needed for poor countries to take advantage of S&T advances with participation of government agencies, corporations and academic institutions from developed nations.
- Expand existing and create new institutional and financial mechanisms to support endogenous S&T capacity-building efforts in developing countries.
- Explore the "leapfrogging" potential of poor countries in specific fields of science and technology, particularly in those linked to improvements in social conditions (health, education, nutrition, environmental protection).
- Strengthen science and technology education in developing countries; utilize technological advances to make education more accessible and improve its content.

configure the fractured global order: the global, the networks and the local. Development cooperation works primarily in the domain of the networks, and its main task is to help bridge the fractures that are emerging and deepening in the global order. The rise of transgovernmental, transcorporate and transassociational networks, together with the vastly increased and complex interrelations between and within them, has made the context for development finance and international cooperation much more complex and difficult to deal with. As a consequence, the capacity to keep the unfavorable consequences of globalization in check — and exploit the opportunities offered by the fractured global order — will be an increasingly valuable asset for developing countries.

The current predicament of international development cooperation arises out of the combined impact of reductions in government allocations for Official Development Assistance (ODA) in the rich countries, the questioning of aid and its impact, and the new demands placed on the international cooperation system. The result is that the response capacity of development assistance organizations is being stretched to the limit. Their reaction has been marked by much confusion, reorganizations and counter-reorganizations, and operational changes that are often modified before they can yield results.

All of this calls for a new perspective on the restructuring of international cooperation for development during the next decades. Uncertainty and instability, paradox and ambiguity are configuring a turbulent field in which the transformation of development assistance is taking place. In such a situation there is no time for leisurely academic research aimed at improving organizational performance. It becomes necessary to learn while doing and to engage in real-time policy-oriented inquiries. Organizational structures, procedures and practices must be monitor/d, evaluated in light of results and adjusted as new circumstances emerge. Strategic planning needs to be integrated with day-to-day management to reduce lags in adaptive behavior, and the organization must become an inquiring and learning system. Such an exercise must begin with a reexamination of the reasons for engaging in development finance and international cooperation, which should guide the renewal of institutional arrangements in the international development community.

ENDURING AND CHANGING MOTIVATIONS

Any reassessment of the current situation and future prospects must begin with an examination of the reasons to engage in the broad range of activities that are included under the broad label of "international cooperation for development". Motivations for private firms and commercial banks to invest in the developing regions, for private foundations and individuals to support programs in developing countries, and for rich countries to provide financial and technical assistance to the poorer nations have changed over time.

The main motivation for investing in developing countries, or anywhere, has always been the desire to obtain the maximum possible returns over a specified period and subject to a determined level of risk. The globalization of financial markets has made the search for higher returns much more complex, and private investors now face a wide range of options for placing their investments worldwide.

Portfolio flows, which move quickly from one market to another in response to slight changes in perceptions about returns and risks, are now engaged in a global search for the highest possible profits. However, identifying the stocks, currencies, bonds, derivatives and other

financial instruments with the optimal reward-risk combination for investors is a difficult task that requires highly specialized knowledge and information. Few investors have the capacity to analyze in detail the options available, and most rely on information and analysis services provided by rating agencies, consulting firms and investment advisers. This has given the largest and most visible of these organizations (Moody, Standard & Poor, Duff & Phelps) a significant influence on the direction of investment flows. This influence is heightened by what has been called the "herd mentality" of players in financial markets, which amplifies fluctuations and increases instability.

The contribution that portfolio flows can make to developing countries depends on the quality of domestic macroeconomic policies, the soundness of local financial institutions, and the stability of the economic and political system. Few developing countries have the capacity to absorb such short-term flows in large amounts without experiencing macroeconomic problems (e.g., local currency appreciation). As a result, the development impact of volatile and highly concentrated portfolio flows is likely to be rather small and temporary—except perhaps in a few developing nations—where such flows can provide significant balance-of-payments support.

Commercial banks lend to developing country governments and firms at rates that cover the interest paid on deposits, administrative costs, a "risk premium" and profits. The risk premium is charged because banks perceive a great probability that developing-country borrowers may default on their loans. In addition, when lending to sub-national governments, state enterprises and private firms, commercial banks often require a central-government guarantee to ensure repayment. Private bank loans to developing countries have followed boom-and-bust cycles, best exemplified by the lending binge of the 1970s and early 1980s (primarily to recycle petrodollars), which was followed by the debt crisis in the 1980s and another lending boom during the early 1990s. Similar considerations apply to the bonds issued by developing countries with the assistance of investment banks, usually located in the industrialized nations.

Provided that loan terms are reasonable and aligned with the activities to be financed, commercial bank lending can help developing country governments and firms with resources for investment projects, for covering temporary income shortfalls and for working capital. But this requires that borrowers be prudent and exercise restraint in their dealings with commercial bank lenders. Similar considerations apply to the issue of sovereign bonds, although the concerns here focus on the interest rates and on repayment periods.

Direct foreign investment seeks to obtain a continuous stream of profits over the long and medium terms,

prompting firms to search for locations where they can reduce production and distribution costs for their products and services. While low labor costs remain a main attraction for many corporations to place their production facilities in developing countries, many other factors also play a role. The desire to secure access to natural resources such as hydrocarbons, minerals and land have been among the traditional motivations for firms to invest in the developing regions. Another motivation, added during the last decade, is the desire to secure access to genetic resources linked to biodiversity. Less stringent environmental regulations have also played a role in the location of some manufacturing activities, although pressure from stockholders and environmental groups has forced many investors in developing countries to pay greater attention to environmental conservation and pollution abatement. The availability of highly skilled labor has also emerged as a main motivation for high-technology firms to place their production and service facilities in a few developing areas (for example, electronic manufacturing in East Asia, software production in India and computer customer service facilities in Costa Rica).

With the globalization of product and service markets and the rise of strategic alliances between international firms, strategic positioning for global competition has also emerged as a main motivation for firms to invest in developing countries. This is particularly the case in certain fast-growing sectors of the world economy in which the leading corporations design their strategies at the global level (air travel, telecommunications, insurance, banking, software, capital goods, automotive, energy, electronic goods). Developing countries with large populations, particularly those with relatively stable and growing economies, have become places of choice and highly contested grounds for direct foreign investment.

Direct foreign investment can make significant contributions to development through increases in production and exports, creation of jobs and technology transfers. The potential benefits can be considerably enhanced by appropriate government policies to reduce possible negative impacts on the environment and possible abuse of local labor. However, because of the high mobility of international capital, many developing countries are competing with each other to attract foreign investment. Tax breaks and incentives are regularly offered to induce foreign investors to locate their plants and facilities, reducing government revenues. Environmental and labor regulations are frequently waived or even dismantled, having a negative impact on social conditions. In some cases these inducements are complemented with offers to provide the physical infrastructure (roads, ports, energy, water supply) required for the operation of the foreign plants, adding further strains on public finances.

The increased mobility of international capital, which can easily migrate to where it is treated more favorably, and the willingness of governments to outbid each other with tax and other incentives to attract foreign investors are undermining the capacity to generate public revenues. A sort of self-destroying "race to the bottom" is reducing the capacity of developing country governments to obtain revenues by taxing profits made by the holders of capital assets.

The motivations of *grant-giving foundations, philanthropic organizations and individuals include altruism*, international solidarity, religious proselytism and the desire to obtain social recognition. These flows are directed primarily to humanitarian relief, protection of human rights, health and family planning, education and nutrition programs for children, cultural activities, environmental conservation and building local capacity in a variety of fields. Because they are free from the constraints faced by bilateral aid agencies, international financial institutions and private firms, foundations can support more adventurous programs and experimental activities which official donors and private investors would find too risky or controversial. The funds channeled through grants may not be very large, but they can play a key strategic role in exploring new directions and testing programs that are later adopted by other organizations. In addition, private corporations occasionally contribute to development programs through grants, primarily with the purpose of improving their public image.

Motivations for *Official Development Assistance* (ODA) have changed in parallel with the evolution of development thinking and institutional arrangements for development cooperation. Altruism and generosity, as well as Cold War political interests, were the main reasons for launching the development cooperation experiment in the late 1940s, but over time a more varied range of motivations began to emerge. As motivations changed, conditions for access to financial and technical assistance were redefined. Political loyalty to one of the two opposing camps in the East/West confrontation gave way to conditions regarding tied purchases of goods and services, access to markets, changes in economic policies, institutional reforms, democratic practices, environmental conservation and respect for human rights. Cross-conditionality between development assistance agencies and

The structure of financial flows to developing countries is now skewed in favor of highly concentrated and mobile private investments and not geared towards the long-term development finance needs of developing countries.

Table 2—
MOTIVATIONS FOR OFFICIAL DEVELOPMENT ASSISTANCE

Strategic and security interests, which respond to geopolitical and military considerations of donor countries.

- At the national level, justifying aid to developing countries of specific geopolitical importance to the donor country.
- At regional level, considering the interests of regional alliances or treaties.

Political interests, which focus on obtaining political support for foreign and domestic policies.

- With foreign constituencies, through support to former colonies and areas with special historic and cultural ties to the donor, aid to obtain international political recognition and support.
- Centered on domestic constituencies—obtaining the support of immigrant lobbies and ethnic groups of foreign origin in the donor country.

Economic and commercial interests, which emphasize direct commercial and financial benefits to the donor country.

- Benefits may include export expansion, employment generation, support of domestic producers (through food aid), greater security for investments in developing countries, access to resources (oil, strategic minerals), access to a pool of highly qualified potential migrants (through fellowships) and creation of demand for exports in the future (through technology transfers).

Emergence of global problems, which concern both donor and recipient nations.

- Environmental sustainability has become a major concern of donors because global environmental threats affect developed countries directly (global warming, destruction of the ozone layer, loss of biodiversity, tropical deforestation).
- World population growth and imbalances, as well as health threats (AIDS, epidemics), are now seen as global problems requiring financial and technical assistance from donors.
- International cooperation and the support of donors is necessary to fight crime, drug traffic and terrorism on a global scale.

Altruism, ethical, humanitarian and religious concerns, which highlight the moral obligation of donor countries to assist the poor in developing countries.

- Alleviate human suffering and express solidarity with fellow human beings.
- Help to cope with natural and man-made disasters through humanitarian and emergency relief.
- Religious proselytism and desire to win converts to a particular faith.

Maintaining stability of the international system, which aims at securing a stable world order to foster the long-term interests of donor countries.

- Maintaining political stability by preventing and containing local and regional conflicts, and by promoting the spread of democracy (supporting peace making and peace-keeping initiatives, monitoring and supervising elections, helping strengthen democratic practices and institutions).
- Ensuring world economic stability through policy reforms in developing countries, and through measures to avoid major disruptions of international finance and trade (provide funding to help defuse debt crisis, Mexican peso collapse, East Asian crisis).
- Maintaining social stability in the developing regions to prevent international migrations (programs to reduce population growth, combat poverty, promote human rights and improve the situation of women).
- Showing willingness of rich countries to accept responsibility for assisting the less fortunate in a global society.
- Helping developing countries to improve their participation in international agreements to make them more equitable, stable and effective.

multilateral institutions increased significantly, and private banks often conditioned their loans to developing-country governments on the adoption of policy reforms advocated by the IMF or the World Bank.

Table No. 2 presents a summary of the main motivations for providing development assistance.[4] There has been a gradual progression from narrowly defined notions of donor political and economic self-interest—complemented by moral concerns and altruistic motives—to broader conceptions of the common interest and the stability of the international system. However, self-interest still prevails, and political and commercial objectives continue to influence the levels and allocation of aid budgets, especially at a time when budgetary stringency is making it rather difficult even to maintain the level of

development assistance in most industrialized nations.

Different motivations interact closely with each other, either as complements or as tradeoffs. In some cases, human rights concerns may override the purely economic or political interests of donors; in others, the opposite may be true. Development financing may be made conditional on adopting political reforms, as exemplified by the loans provided by the European Bank for Reconstruction and Development (EBRD), whose articles of agreement state the promotion of multiparty democracy as one of its objectives. Environmental and security preoccupations may also reinforce each other, as in the case of assistance to the countries of Eastern Europe and the former Soviet Union to upgrade their nuclear power installations and dismantle their nuclear missiles. In general, increased interdependence and the process of globalization, added to the multiple fractures that characterize the emerging world order, have made the political, economic and social stability of the international system a growing concern of donors.

Taking into account private flows, grants by foundations and individuals, and Official Development Assistance, the structure of financial flows to developing countries is now skewed in favor of highly concentrated and mobile private investments and not geared towards the long-term development finance needs of developing countries. Moreover, the vastly increased mobility of international capital limits the capacity of most developing country governments to tax capital flows and profits, making them face the need to increase taxes associated with labor incomes. This creates serious problems for maintaining a reasonable level of public expenditures, which should be commensurate with the growth of social demands, especially in the poorest countries. In terms of the fractured global order, the logic of financial capitalism in the domain of the global, operating through transgovernmental and transcorporate entities in the domain of the networks, does not often coincide with the interests of developing societies in the domain of the local.

From this perspective, a possible additional motivation for Official Development Assistance may be to compensate for the negative impact that financial globalization has on economic stability and on the preservation of social cohesion within developing countries and at the international level. However, the initiatives taken by the high-income industrialized nations in various international gatherings point clearly in an opposite direction. In addition to the rather weak support for ODA, developed country governments are actively promoting international agreements on foreign investment that would further tilt the balance in favor of international capital and against developing countries.

THE SHAPE OF THINGS TO COME

The combination of enduring and emerging motivations for development finance and international cooperation ensure that these activities will continue, although in a much changed way, during the coming decades. For the foreseeable future, private flows will continue to dominate financial transfers to developing regions, official development assistance will remain a peripheral concern for the rich countries, and philanthropic initiatives by individuals and foundations will increase moderately. However, as new themes, organizations and resource mobilization mechanisms emerge during the next decade, development cooperation will continue to experience an arduous transition towards more diverse, flexible, focused and efficient institutional arrangements, which will emerge in full view towards the middle of the second decade of the 21st century.

Clusters of themes

The wide variety of areas covered by the expanding field of international cooperation for development will cluster around several main themes, primarily as a result of the need to find common ground and identify shared interests among a large number of actors with diverse objectives. These clusters of themes will cut across organizational boundaries and will become the focus for initiatives involving government agencies, international institutions, foundations, private firms and civil society organizations. Among these main clusters of themes it is possible to identify:

- *Stabilizing the international financial and economic system* will require concerted action by governments, international institutions and private financial institutions. A main theme will be how to create conditions for *harmonizing interests of private investors and of developing countries*. Among other things, this requires designing national and international policy regimes to ensure that private financial flows contribute effectively to development objectives. Frequent references to a "new international financial architecture" by government officials and scholars during the later 1990s indicate that this theme will continue to attract widespread interest in years to come.
- *Addressing global and regional problems* that affect several countries will require increased collaboration between countries and adapting the way that national

Development cooperation will continue to experience an arduous transition towards more diverse, flexible, focused and efficient institutional arrangements, which will emerge in the 21st century.

sovereignty is exercised. Environmental deterioration and sustainable use of natural resources figure prominently in this cluster, which also includes issues such as international migration, the internationalization of organized crime and the spread of drug traffic.

- *Humanitarian assistance and emergency relief* to deal with natural and man-made disasters. When violent conflict within countries requires relief efforts, it will be necessary to intervene in the internal affairs of sovereign states and further modify prevailing conceptions of sovereignty. Several ethnic conflicts during the later 1990s prompted intervention by the United Nations, North Atlantic Treaty Organization, regional organizations and many non-governmental agencies throughout the world, suggesting this will continue as a major issue for international cooperation.
- *Providing technical and financial assistance to promote economic growth and social improvement* has been the main focus of traditional development cooperation. Specific future themes include such fields as agriculture, industry and energy, education, health, family planning and poverty reduction. As trade liberalization gains and many developing countries continue to fall behind because of weak productive and technical capacities, the need will emerge for a massive program of trade-related technical cooperation between rich and poor countries.[3]
- *Establishing and strengthening institutions* in developing countries, which include capacity-building for government social and economic policy-making, institutional reforms and strengthening democratic practices and institutions. These issues require long-term and flexible interventions, carefully designed to involve and empower developing-country partners in the public sector, the private sector and civil society.
- *Creating and consolidating science and technology capabilities* in developing regions, which will become a major cluster of development cooperation initiatives in the early 21st century. There will be growing support for establishing local research facilities and acquiring technologies in communications and information, environmental sustainability, biosciences and biotechnologies. Although this has been a recurring theme of developing countries for at least 30 years, particularly since the UN Conference on Science and Technology for Development held in Vienna in 1979, the growing and more visible role that science and technology now play in achieving

prosperity and improving standards of living has made this a high priority as we move into a new century.[4]

- *Preventing, limiting and resolving deadly conflict* between and within states. While conflict prevention has received increased attention in recent years, it will take some time before a broad and coherent set of initiatives is launched, primarily because of our inadequate understanding of the combination of factors that lead to violent conflict situations and of how to prevent the eruption of deadly violence. A series of reports by the Carnegie Commission on Preventing Deadly Conflict points out measures that could be taken to improve regional and global security.[5] In the meantime, efforts to limit, contain and resolve conflict will acquire greater importance to maintain the stability of the international system.
- *Embarking on a collective effort to redefine what we mean by development and progress* as we enter a new century and millennium. Widespread uneasiness with current conceptions of development, the challenges posed by different civilizational outlooks, and the new salience of value and spiritual concerns will all make it necessary to launch a joint cross-cultural effort to explore these important questions in the early years of the 21st century.

These clusters of themes will bring together different combinations of government agencies in developed and developing countries, private corporations, academic institutions, non-governmental organizations and other actors in the international development scene. While some large multilateral institutions and bilateral aid agencies may have a stake in several of these clusters, most development cooperation organizations will focus on just a few.

ORGANIZATIONS BECOMING NETWORKS

The effects of institutional inertia and the accumulated strains of incremental adaptations will prompt a major redesign of most international development organizations. Some have already embarked on this. In addition, attempts will be made to define a reasonable inter-institutional division of labor and to identify redundant and missing institutions. Although these attempts will be resisted by some senior officials in these organizations, the combined pressure of new demands and diminished resources will ultimately prevail and lead to a rationalization of organizational arrangements for development cooperation.

Development cooperation organizations will improve their efficiency, becoming more open and transparent, and their impact will be closely monitored and evaluated. Tighter conditions will be placed on intermediaries of development

assistance (particularly NGOs) and on recipients, so as to ensure better accountability. Programs will become more focused, greater emphasis will be placed on decentralization and the delegation of responsibility, and entrepreneurship and the exercise of creative leadership will be rewarded. Information systems will acquire greater importance as ways to foster new styles of work and also as means to retain organizational memory. Temporary programs and organizational structures, with clearly defined expiration dates, will gradually replace the permanent organizations that were the norm in previous decades. The more effective development assistance agencies will become learning organizations, but many will have to first become "unlearning organizations" to forget past practices and work habits. Those that fail to do this will either disappear or be reduced to irrelevance over the next two decades.

The effects of institutional inertia and the accumulated strains of incremental adaptations will prompt a major redesign of most international development organizations.

The development cooperation organizations of the future will adopt the form of *flexible networks focusing on specific themes*. They will join several institutions together in coalitions, although thematic networks will also emerge as subsets of large organizations. A prototype thematic network will consist of:

- A *Network focused on a specific theme* with a *Board* comprising representatives of government agencies from developed and developing countries, multilateral and bilateral assistance institutions, private corporations, foundations, academic institutions, non-governmental organizations and other entities with a stake in the specific theme of the Network. All Board members would have the same voting rights, and the task of the Board would be to decide on specific programs to be pursued by subsets of Network members. Each Network member will contribute an assessed amount (determined according to pre-established binding criteria) to cover the operating costs of the Network Secretariat.
- A small *Network Secretariat* whose only function is to help identify and launch programs of interest to particular subsets of the members of a Network focusing on a specific theme. It would be composed of a few staff on fixed-term contracts, would be supplemented by consultants, and would work largely through electronic mail and other forms of telecommunications to minimize overheads. It will be financed primarily by the assessed

contributions from the Network members, and should regularly submit proposals to the Network Board.

- *Several program teams*, comprising only members interested in each particular program. These are the fundamental building blocks of the Network. Launching of the program team will be decided by the Network Board based on proposals from the Secretariat defining terms of reference, duration, organization and financing arrangements. Participation in program teams will be voluntary and restricted to Network members. Participants will also have to agree on their financial contributions to the program and their respective voting rights.
- An *ad-hoc Program Board* will be established to supervise and evaluate the work of each Program Team, and a *Program Secretariat* will be established on a temporary basis to coordinate and execute program tasks. Both will be disbanded upon completion of the activities. Each program will have a clearly defined termination date. Several program teams will be operating at any time, and the Network Board will be responsible for assessing the overall progress of the various programs and the performance of the Network Secretariat and its staff.

There are already several entities that exhibit some of the characteristics described for the thematic networks and program teams. One is the Consultative Group on International Agricultural Research (CGIAR), which was established in 1971 jointly by the World Bank, several bilateral agencies and private foundations. In addition, in recent years a number of international secretariats focusing on specific issues (for example, micronutrients, tropical diseases, application of information technologies in Africa, AIDS prevention) have been created with the support of bilateral agencies, multilateral institutions and foundations. However, the participation of the private sector and civil society organizations in these initiatives has been rather limited, and some of these network-like organizations have inherited the limitations characteristic of their multilateral and bilateral supporters.

The United Nations Development Programme (UNDP) may be gradually moving in the direction of supporting programs of interest to particular combinations of donors and recipients, which would resemble the thematic network programs described above. As an indication of this shift, during the late 1990s and for the first time in the 40-year history of UNDP, non-core resources (over which individual donors can exert more control) exceeded core resources in the UNDP budget (which are allocated primarily according to criteria defined by the governing board representing all

UNDP members). The World Bank recently established five functional networks focusing on themes such as environmental sustainability, finance and private sector development, human development and poverty reduction. There is still much confusion about the way these networks will interact with the various regional and country teams, as well as with technical departments. However, their creation signals the intention of focusing the World Bank's professional capacities more sharply, of cutting across regional and country boundaries, and of engaging other development organizations, all of this directed towards improving organizational learning.

Other thematic team initiatives include ones which have joined between two and five different types of organization in virtually every possible combination of private corporations and investors and private foundations, NGOS, academic institutions and individual professionals, international financial institutions, multilateral institutions and regional development banks, and bilateral donor agencies, developing country government agencies and semi-public institutions. The themes that such coalitions are working on include information technology, sustainable development, Internet access for schools, science and technology, environmental impact of transnational oil operations in one country, educational development in Africa, coordinating donor agencies in the Sahel and managing freshwater resources.

RESOURCES

Development financing arrangements will be renewed over the next decade or two, as the inadequacies of existing schemes become obvious and unbearable. The changes are likely to be gradual, and governmental aid budgets will continue to play a major role, particularly in some of the thematic clusters. At the same time, there will be a great deal of experimentation with new financing mechanisms, and some innovative schemes will be tried on a pilot scale.

The most successful of the institutional innovations in development finance of the last five decades has been the establishment of multilateral development banks. To finance their regular lending programs, they issue bonds, borrow from private capital markets on rather favorable terms and then lend those resources with a modest mark-up to developing countries at rates below what private markets would charge them. The distinction between "paid-in" and "subscribed" (or "callable") capital allows multilateral development banks to play a very efficient intermediation role between private capital markets and developing countries. Shareholders have only to pay in cash a fraction of their share of total subscribed capital, but are committed to contribute the full amount in the unlikely event that massive defaults from borrowers would threaten these institutions with bankruptcy.* This allows the multilateral banks to appear extremely conservative by maintaining a

maximum of one-to-one gearing ratio between their subscribed capital and their obligations to bondholders, considerably reducing the cost of borrowing (even though they have a much larger gearing ratio between paid-in capital and outstanding bond obligations). In effect, this constitutes an intergovernmental guarantee scheme that has worked very well for more than five decades, partly because of the prudent financial management of multilateral development banks and because the preferred creditor status of these institutions ensures prompt and preferential payment by their borrowers.

Multilateral development banks and other development finance institutions are now exploring other types of guarantee schemes, particularly to reduce the risks of private investors in developing countries and transitional economies. Some of these involve guaranteeing sovereign bond issues with the condition of maintaining economic policies, securitizing existing developing country obligations, and the use of exotic financial instruments. There has also been much discussion about special funds to soften the financial conditions of loans to the poorer countries by reducing interest rates and by extending grace and repayment periods. Some of these initiatives will prove successful and will be launched during the next several years, expanding the range of options for development finance. In addition, investment banks are joining forces with multilateral institutions to raise investment capital in some specific sectors, particularly infrastructure. Private firms in the more advanced emerging economies that are able to attract private capital flows will also expand their access to the stock markets of industrialized nations, usually with the help of private investment bankers.

Some kind of automatic resource mobilization mechanism will be put in practice during the next two or three decades, at least on a pilot basis. The balance between the large potential benefits and the small costs of such schemes is too favorable for resistance to "international taxes" to hold up their implementation indefinitely. A great deal of work has been done on the feasibility of the "Tobin Tax" on international capital movements, and more recently a "Bit Tax" on international electronic commercial and financial transactions has been suggested. Although they are still a long way from becoming viable options, they have stimulated a great deal of interest and many negative reactions from developing-country governments and firms. Rather than a global tax system, such schemes are likely to be first tried on a limited basis, most likely involving voluntary agreements between private firms, government agencies, international institutions and civil society organizations at the regional level. Along similar lines, it would be interesting to explore the possibility of creating an international "Gene Tax", which

would be levied on the profits made by international agricultural and pharmaceutical firms through the sale of products that incorporate genes from developing country-organisms.

Initiatives involving tradable permits are also on the table. The "Clean Development Mechanism" agreed at the Kyoto Conference of Parties to the United Nations Convention on Climate Change will allow developing countries to sell their unused carbon dioxide emissions rights to countries and firms that exceed their allowances. First operations under this mechanism began to be negotiatiated in 1998, with Costa Rica embarking on sale of about $20 million in emission offsets to private investors; many private firms in Canada, the United States and some European countries are organizing a market for tradable emissions permits on a pilot scale.

Debt swaps and debt forgiveness will also play an increasing role in development finance, especially for the poorest and highly indebted countries. In addition, the Pope has proposed that all debt of the poorest countries of the world be forgiven on the occasion of the Year 2000 Jubilee, and several religious organizations are actively lobbying their governments to support such an initiative. As a result, the Group of 7 highly industrialized countries agreed during 1998-1999 on several initiatives to forgive part of the debt that the poorest countries owe bilateral assistance agencies and international financial institutions.

Ideas are brewing for automatic resource mobilization by taxing international capital movements (Tobin Tax), international electronic commercial and financial transactions (Bit Tax), and profits made by international firms on products that incorporate genes from developing-country organisms (Gene Tax).

There are also discussions about the creation of regional and national trust funds with donations from private corporations, developed- and developing-country governments, foundations and wealthy individuals. A few regional trust funds for specific themes will be operating at modest level during the first two decades of the 21st century. "Counterpart Trust Funds," several of which were established in Latin America during the 1980s and 1990s with resources from bilateral debt swaps, provide small-scale examples of how regional trust funds could operate.

Wealthy businessmen and musicians are also becoming involved in international philanthropy to a growing extent. In the age of initial public offerings of shares of new high-technology firms and megamergers that make a few individuals incredibly rich, their example may draw still other wealthy persons to

become more engaged in financing international development activities. Ted Turner's $1 billion gift to the United Nations, George Soros' hundreds of millions of dollars in contributions to Eastern European non-governmental and academic organizations, Bill Gates's establishment of two foundations endowed with more than US$17 billion, Elton John's donation of more than $100 million for the removal of landmines from royalties of his record in Lady Diana's memory, and the tens of millions of dollars raised by rock concerts to support causes as varied as famine relief in Africa and AIDS prevention point out that the role of private giving is likely to grow in the near future. Finally, there have also been proposals to establish lotteries to raise funds for international development activities. One such scheme links airline travel to card games and a lottery to raise funds for sustainable development initiatives in developing countries.

While private investment flows and developed country budget allocations will continue to dominate the development finance and international cooperation scene, new financial mechanisms involving combinations of private investment, multilateral and bilateral lending, grants from foundations and individuals, and income from trust funds will acquire a growing importance in the next two decades. Combined with new organizational arrangements and the identification of clusters of themes, these new financial resource mobilization schemes will radically alter the shape of development finance and international cooperation.

AN ARDUOUS TRANSITION

A former high-level United Nations official once referred to development assistance in the following terms:

"An important experience, without precedent in modern history is coming to an end. It will have lasted much less than was expected. Born in the midst of contradictions, it dissipates in ambiguity. It means renouncing an ambitious but ill-conceived enterprise. Its original noble intentions have been progressively submerged by other considerations which, inevitably, have led to mutual recrimination and disillusion."

The official was Tibor Mende, and the year was 1972.[7] He was reflecting on the failure of development assistance to live up to the high expectations it had raised and the danger that it might become an instrument of a new form of colonialism. Neither the hopes nor the fears were fully realized, but the quote underscores that development assistance has long been kept under close scrutiny.

If the demise of the development cooperation experiment was prematurely announced in the early 1970s, might not the same have happened in the late-1990s? Probably not. In the first place, the transition from the 1960s to the 1970s did indeed see an "end" of sorts that signaled the full emergence of multilateral channels for development assis-

tance and substantive changes in bilateral aid. Second, the magnitude, scope and intensity of changes accompanying the emergence of the fractured global order in the late 1980s and the 1990s are much greater than those at any time during the last half-century. While it may not end with a bang, but rather with a whimper (and maybe with lots of whining), there is little doubt that the development cooperation experiment, as we have known it during the last five decades, is coming to an end.

And yet, as motivations for private firms to invest in the developing world, for foundations, private philanthropy and religious groups to reach beyond their home bases, and for rich countries to help the poor nations endure, development cooperation will continue its arduous process of transformation and evolve in directions that will correspond more closely to the spirit of our times. Its main objective will be to bridge the multiple fractures that are defining the emerging global order. Although there are critics who see development assistance as widening rather than bridging these fractures, most of those concerned with improving the situation of the poor agree that development finance and international cooperation could play a significant and important role in the future. Therefore, it is not surprising that many proposals have already been put forward during the last few years to renew development cooperation.

Grant-making organizations, and private foundations in particular, have a special role to play in the renewal of international development cooperation. In contrast to international financial institutions, which have to be conservative to preserve their financial standing, and bilateral cooperation agencies, which are instruments of foreign policy, private foundations can take greater risks, engage more readily in experimental programs, choose more freely their areas of interest, support initiatives for relatively long periods without having to show immediate results, and operate in a flexible way without overbearing administrative or political constraints. They are also free from the private-sector need to show direct financial returns in the short term. Private foundations and development cooperation agencies that enjoy considerable autonomy—such as the Canadian International Development Research Centre (IDRC) and, to a lesser extent, the United Nations Development Program (UNDP) —have demonstrated throughout their history the capacity for leadership in areas considered too risky, politically charged or complex for the larger financial and technical cooperation institutions. In doing so, they have been the catalyst to major global efforts, such as the Green Revolution, contraceptive research, tropical diseases research, science and technology policy, environmental conservation and conflict prevention.

We are living through a momentous period of human history in which reality is being reconfigured for all of us.* In dif-

ferent ways, and at different speeds, most societies are beginning to recognize that humanity is embarked on an uncertain transition towards something that cannot yet be visualized clearly. Advances in knowledge during the last four centuries, and particularly during the last five decades, have created remarkable opportunities for improving standards of living in ways that were not even dreamt of by our ancestors. But we need to devise new means for taking advantage of these opportunities for the benefit of all of humanity. In this special period of history, conceptual advances must proceed hand in hand with institutional experimentation. This suggests the need for carefully designed large-scale interventions or "institutional experiments" involving public, private, civil society, academic and international organizations to address the problems associated with the emergence of the fractured global order.

There is also a need for a concerted international effort to explore the meaning of development in the transition to a new century and a new millennium. Although there are prominent analysts who view cultural conflicts as inevitable and possibly violent, institutionalized dialogues between cultures and civilizations can help to peacefully redefine what we mean by development and progress, and to devise the ways of achieving them. They are also essential to help determine the direction of the initial steps toward the design of a new program to guide human efforts in the decades and maybe centuries to come.

Finally, it is clear that these new times require a new style of leadership, much more flexible and capable of adaptation than the leadership we have had during most of the 20th century. In order to cope with the uncertainties, unsettling features and anxieties of our time, as well as to take advantage of the extraordinary opportunities it offers, we need leaders who empower others and guide with a light touch; leaders prepared to restrain their ambition and advance collectively by sharing power; men and women of vision and practical imagination. They will be found among those that the late eminent social scientist Eric Trist described so well:

"We need flexible, resourceful, resilient people who can tolerate a lot of surprise and ambiguity emotionally while continuing to work on complex issues intellectually." ■

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* See: Francisco Sagasti and Gonzalo Alcalde, *Development Cooperation in a Fractured Global Order: An Arduous Transition*, Ottawa, IDRC, June 1999. That text, which includes many specific examples of new networks, is also available online at http://www.idrc.ca/books/focus.

NOTES

1. Sagasti and Alcalde, *op. cit*; Francisco Sagasti, "International cooperation in a fractured global order", *Impact of Science on Society*, No. 155, (1989), pp. 207-211, and "The 1990s: decade of the emerging fractured global order", *UNITAR Newsletter* 1 (2) 1989, pp. 7-10.

2. The table on motivations for development assistance has been adapted from reports on the prospects for official development assistance in the 1990s, prepared by Susan Ulbaek and Inami Ohno, at the Strategic Planning Division of the World Bank in the late 1980s. See, in particular, Inami Ohno's report *Donors' Aid Motives: Implications for Multilateral Concessional Aid*, Strategic Planning Division, the World Bank, May 1990.

3. Rubens Ricupero, the Secretary General of the United Nations Conference on Trade and Development (UNCTAD), proposed such a program in a speech to the High Level Symposium on Trade and Development at the World Trade Organization in Geneva on March 17, 1999. See his article "Resolving the crisis of development", *South Letter* 3 (34) 1999, pp. 7-7.

4. For example, Jeffrey Sachs has pointed out that "advances in science and technology not only lie at the core of long-term economic growth, but flourish on an intricate mix of social institutions—public and private, national and international." He argues that, to mobilize "global science and technology to address the crises of public health, agricultural productivity, environmental degradation and demographic stress", it will be necessary "that the wealthy governments enable the grossly underfinanced and underempowered United Nations institutions to become vibrant and active partners of human development." *The Economist*, August 16, 1999.

5. See the Carnegie Commission on Preventing Deadly Conflict website at www.cpdc.org

6. Paid-in capital represented 20 percent of the subscribed capital when the International Bank for Reconstruction and Development (IBRD), the regular lending arm of the World Bank, was established in the 1940s. Subsequent capital increases in which the paid-in component was lowered brought the ratio of paid-in to subscribed capital to about 6.5 percent in the early 1990s. In the early 1950s, IBRD management concentrated its efforts on obtaining a triple-A rating for its bonds, thereby ensuring good access and favorable borrowing terms to the international capital markets. This helped to legitimize the multilateral development bank model for development finance and paved the way for the creation of the regional development banks.

7. Tibor Mende, cited in Hilan Bensusan, Discussões em torno de "Ajuda ao Sul" e "Ajuda Norte-Sul", Serviço Central de Publicações da Comissão Nacional, 1994, p. 25.

8. Elsewhere I have referred to the current period of history as "the transition to the post-Bretton Woods era". See the working paper "The insights of the Bretton Woods Latin American Network—ACTNOW Three", November 1997, and the article "Development knowledge and the Bretton Woods era", *World Development*, 27 (1365-1396), 1361-1368.

EU-ACP Partnership: an appraisal

BY SEVERINE M. RUGUMAMU

After 25 years, what is the balance sheet on cooperation under the Lomé Convention between European Union (EU) countries and former colonies in Africa, the Caribbean and the Pacific (ACP)? Do the outcomes match the objectives? If not, what changed or went wrong? What issues, longstanding or newly arising, remain to be addressed? Dr. Severine M. Rugumamu is Professor of Development Studies and Director of the Consultancy Bureau of University of Dar es Salaam, Tanzania. One of his recent major publications is Lethal Aid: The Illusion of Socialism and Self-Reliance in Tanzania.

INTRODUCTION

After the 1995 signing of an extension of the Lomé Convention IV in Mauritius, the agreement was lavishly hailed by the *Courier*, the monthly magazine of the European Union, as the "the finest and the most complete instrument of cooperation ever". The very concept of partnership in the agreement, together with the principle of dialogue, contractility and predictability, added up to the so-called "Lomé culture". In fact, the various Lomé Conventions have, since 1975, provided various trade preferences relating to protocols on certain commodities and trade development, as well as short and medium-term compensatory mechanisms such as STABEX and SYSMIN, aimed at offsetting the instability and downward trend of commodity prices in real terms. After well over two decades and a half, the cooperation principles and norms seem to be at variance with the outcome. The strong historical ties and mutual interdependencies that bound the former colonies and the nine European member states seem to have disappeared. What might have gone wrong? What are the facts on the ground? What critical development cooperation issues remain to be addressed? The purpose of this article is to contribute, albeit in a modest way, to the ongoing debates on the form and content of a development cooperation that should evolve in order to address the challenges of the new millennium.

RECENT DEVELOPMENTS IN ACP-EU RELATIONS

The conclusion of the Cold War and the creation of the European Union have had far-reaching implications for relations between EU and the Africa-Caribbean-Pacific (ACP) countries. The broad community of interests that provided the political foundations and legitimacy of the previous development cooperation agendas have changed radically. Some critics argue that Lomé is part of the problem rather than the solution. In particular, it is argued that the Convention perpetuates ACP dependence on the European Union, promoting paternalism and clientelism rather than partnership, and far from allowing the ACP a say in the use of development resources, the European Commission takes the lead in most decision-making, implementation and evaluation (ECDMP, 1996:2).

Some critics argue that the Lomé Convention is part of the problem rather than the solution and promotes paternalism and clientelism rather than partnership.

Moreover, to most political realists, the intrinsic value of the ACP countries as ideological spoils, strategic assets in the superpower rivalry or important investment outlets and markets have all lost their importance. Negative interdependencies (immigration flows, drug trafficking and environmental degradation) are perceived to be negligible. The remaining traditional justifications—humanitarian motives and international solidarity—are insufficient for a mutual and credible development cooperation.

Thus, without any significant strategic resources to talk about in the coming decades, this group of countries is likely to end up being insulated from the fast-growing, interdependent, multipolar and highly competitive international system. Most ACP countries are likely to become virtually inconsequential to the EU politically, economically as well as strategically (Buzan, 1991).

What is even more disturbing for ACP countries, and particularly after the end of the Cold War and the collapse of the Communist system, is the unbridled confidence with which the leading multilateral institutions and aid agencies are imposing the neo-liberal orthodoxy on the South as a universal recipe for achieving fast economic growth, resolving social problems or dealing with many other contemporary development issues and challenges in international relations. The dominant ideology proclaims that there is no alternative to the so-called rationality and efficiency requirements of the market! In this regard, all ACP countries, irrespective of their individual circumstances, are told to liberalize and integrate as quickly and as fully as possible in

the world economy in order to achieve what foreign aid and other preferential policy arrangements have ostensibly failed to achieve. There is a growing concern that the EU is embracing the market ideology without proper and adequate reflection about its development implications on the vulnerable and weak ACP economies (Tanzer, 1995; Rugumamu, 1999).

Most ACP countries are likely to become virtually inconsequential to the EU, politically, and economically, as well as strategically.

Globalization and liberalization are not without severe contradictions. Rather than benefitting all nations, they tend to produce gains for some at the expense of others. As the UNDP Human Development Report (1996:59) perceptively observed, it is not a positive sum-game but rather "a two-edged sword...with winners and losers". Although in the long run most countries are likely to gain from the process of globalization and liberalization, it is clear that in the short and medium term, some developing countries in the ACP group will face difficulties due to the erosion of the preferential margins which they are currently enjoying under the Lome Convention. They will now have to compete on the basis of productivity, product quality, timely delivery and the like. They are also likely to experience increases in the cost of imported technology and foodstuffs. In this regard, EU may consider providing technical assistance to ACP countries to enable them to take maximum advantage of whatever preferential treatment will be accorded to them.

Moreover, to most ACP observers, the current European preoccupation with the economic and security problems of Eastern and Central Europe and an obvious neglect of ACP pressing concerns are a clear testimony of their scepticism. In fact, one of the EU's security priorities for the 1990s and beyond is to ensure that it takes deliberate measures in order to promote stable and friendly neighbouring states. However, in a different vein, the recent expansion of the EU from 13 to 16 members (to include Austria, Finland and Sweden) has not been accompanied by a corresponding rise in the allocation of resources to ACP countries. Further, the current NATO preoccupation with the security problems in the former Yugoslavia and the relative inattention to Rwanda, Burundi, Somalia, Liberia or Sierra Leone may be precursors of what is yet to come. Little wonder, then, that the EU has downgraded the status of its missions in more than a dozen ACP countries (mostly Africa).

As European security and economic interests in the ACP countries began to flag, so did the enthusiasm to support ACP aid programs. Various interest

groups which previously supported aid efforts because they believed it contributed to development began to show demonstrable "aid fatigue" or seemed fed up with ACP governments that were often associated with policy failures, rent seeking, corruption and ignorance. By the same token, those who supported aid for political reasons, as a weapon in the Cold War, lost the mobilizing justification for expanding their aid programs (Griffin, 1991; Rugumamu, 1997). Viewed retrospectively, it would now seem disingenuous to single-mindedly stigmatize ACP states and their citizens as the main cause for their development predicament. Nor is it fair to claim that the legitimacy of ACP development cooperation with the EU has been eroded by the sheer incompetence and corruption of the aid recipient countries. Both partners should have courage and confidence to share the credit as well as the blame of the previous four conventions.

THE RECORD SO FAR

The overall economic performance record of the ACP-EU cooperation has been less than satisfactory. In fact, the social and economic conditions in most ACP countries are the most deplorable in the world today. The incidence and depth of poverty have been increasing ever since the early 1980s, particularly in Africa. More than half the African people live below the poverty line. Estimates are that, if current trends continue, Africa will perhaps be the only continent in which poverty will increase in a dramatic fashion, both in absolute and in relative terms. Of 47 countries in the world classified as the least developed, 18 are in Africa. Of 32 countries in the world classified as severely indebted low- income countries, 25 are in Africa (UNDP, 1992). On the whole, the preferential relations between ACP and Europe have done relatively little to stamp out the structural poverty and underdevelopment in these countries.

To most critical Southerners, a number of questions come immediately to mind: why is it that for well over two decades of the Lomé Convention, most of the ACP countries have remained on the very margins of the world market of goods, services and indeed capital? To what extent has this development cooperation acted as a fetter to economic and social transformations of ACP countries? More specifically, did the trade preferences and aid provisions in the successive Lomé conventions undermine the intended diversification of the ACP economic structures? With the conclusion of the Cold War, does sufficient political will exist within the EU to adopt a cooperation arrangement which would fully address the inherent inadequacies of the previous four Lome conventions? Are there compelling mutual interests on the horizon which may help to mobilize the requisite political will within the EU to go over and beyond Lome IV preferences?

Despite preferential access to the EU

market offered under various Lomé conventions, ACP export performance in Europe has deteriorated in the last two decades. The share of the ACP in total EU imports fell from 6.7 percent in 1976 to 3.8 percent in 1996. In volume terms, ACP exports grew by less than 4 percent, while those of other non-ACP developing countries grew by about 75 percent. This drop reflects, in part, the declining share of the ACP in world trade, which halved from 3 to 1.5 percent during the same period. ACP countries' exports are heavily concentrated in primary commodities. About 20 commodities account for well over 70 percent of exports by the least developed countries. Declining commodity prices and slow-growing demand account for their poor export performance. It also shows that primary commodity exports tend to have low-income elasticities and low preference margins. It further demonstrates that most ACP countries have failed to diversify their exports into non-traditional income-elastic products. In a nutshell, the failure of ACP countries to benefit from trade preferences has more to do with the composition of their exports than with the existence of preferences (McQueen, 1998; Robertson, 1999).

In addition, the increasing liberalization of the EU's tariff regime as part of the Uruguay Round commitments, as well as tariff preferences extended to other developing countries under the Generalized Scheme of Preferences (GSP), has eroded the margins of preferences that are accorded to the ACP countries. Above all, there is mounting evidence to suggest that biotechnology is swiftly eroding the traditional "comparative advantage" of ACP countries in the emerging international division of labour. Key agricultural crops like sugar, cocoa, sisal, cotton and timber are increasingly facing inelastic demands. Their biologically engineered substitutes in the EU are hitting the market fast (Juma and Clark, 1991).

Despite the principle of non-discrimination among ACP countries, certain countries have been able to take greater advantage of preferences than others. This depended largely on the structure of the relevant country's exports. Countries such as Mauritius, Jamaica, Kenya and Zimbabwe diversified their economies into non-traditional exports like clothing, processed fish and horticulture for which preferential margins were larger than those of traditional commodity exports. In other words, some ACP countries have benefitted from the trade and compensatory system of the Lomé Convention in those sectors and products

Biotechnology is swiftly eroding the traditional "comparative advantage" of ACP countries in key agricultural crops like sugar, cocoa, sisal, cotton and timber.

where there were real trade preferences.

Some of the major limiting factors are inherent in the trade provisions themselves. These include the remaining non-trade barriers on agricultural goods, the relatively protective rules of origin, and the limited awareness of the provisions and their complicated procedures. Other limiting factors, probably just as significant, are linked to the supply capacity of ACP countries themselves. In several ACP countries, trade and fiscal policies do not favour the expansion of exports, and shortage of financial and physical infrastructure and skilled labour hinder their trade development significantly. The new development cooperation will have to address these factors.

CRITICAL ISSUES FOR DEVELOPMENT COOPERATION

As earlier pointed out, the evidence necessary to predict doom and gloom for ACP countries abounds. In the immediate future, therefore, grand development expectations seem to be out of question. What is required is the identification of various factors that will be decisive in shaping ACP's future and a sober analysis of their likely impact. Of such factors, the political ones stand out as the most fundamental. The obvious lack of stable democratic regimes, political accountability and respect for human rights as well as the rule of law are factors that remain central to the possible further marginalization of this group of countries. The continuing political instability and turmoil in Africa, for example, are likely to deter any large-scale inflows of direct foreign investment and foreign aid.

The second critical factor is the type of leadership and governance required to promote development cooperation and sustainable development. The governance failure in most ACP countries in the last four decades of independence is due largely to the failure of leadership. The new generation of leadership that is required for the 21st century is one which is democratic, people oriented, visionary in the sense of being conscious of what direction to follow and what goals to seek as well as capable of inspiring and mobilizing citizens for development.

The third important development variable is development strategies. Given ACP realities, future growth strategies should explicitly build in poverty reduction, pay attention to job-creating ventures as a means of enhancing the people's livelihood, improve the poor's access to productive inputs, invest in the poor people through the provision of basic social services such as health and education, and provide safety nets for those who may be marginalized by the process of growth and economic reforms, or affected by temporary disasters.

The Lomé IV arrangement winds up in February 2000. It will not be renewed in its present form because it discriminates among developing countries, contravening GATT Article I (non-discrimination). It is also not consistent with Part IV (non-reciprocity for developing

countries, which does not override Article I), and it is not consistent with Article XXIV (free-trade areas). The first two weaknesses were identified in the dispute hearing over the EU banana regime. Hence, the EU has to revise its treatment of ACP countries, and ACP and EU have begun negotiations for a new development cooperation pact. Admittedly, both parties duly recognize the need not only to eliminate the inherent weaknesses of the previous Lomé Conventions but, equally important, also to address the incompatibilities of the current arrangement with the WTO rules and regulations.

Taking the new and unfolding global circumstances into account, the EU is proposing to offer free-trade agreements with ACP countries by regional or subregional groups. This arrangement, in fact, would appear to be compatible with WTO Article XXIV, and would provide relatively secure and predictable preferences, although mostly with declining margins and preferences. The general effect would be that ACP countries are likely to have an equal status with the EU's other regional trading area partners, such as the East European, Mediterranean and North African countries. However, the proposed regional trading arrangements require reciprocity after the initial transitional period. In this case, ACP countries that will enter into such a trading arrangement will be required to provide duty-free access for "substantially all" imports from the EU.

The EU is also proposing that its development assistance to ACP countries focus on integrating their economies into the global economy, by removing commodity price supports in favour of programs that promote foreign direct investment, through public infrastructure financing and privatization by means of budget support. Such restructuring would reflect new priorities in EU policies, which provide that development assistance is no longer limited to former colonies, and that environmental and social concerns, food security and poverty alleviation are given more weight in future programs.

It is common knowledge that most ACP countries not only require preferential market access and foreign aid from the EU but, most important, also should seek deliberate policy instruments aimed at reforming and transforming the structural foundations of their economies. In this regard, we are in total agreement with the report of the Working Group of ACP Experts to the Council of Ministers (1999). It forcefully argued that it may not be enough to make the necessary improvements in the regime and provide Lomé-equivalent or better access to ACP countries. It warned that the recently proclaimed ACP-EU development cooperation objectives (poverty alleviation, sustainable development, and smooth and gradual integration of ACP countries into the global economy) may not be realized unless the structural problems are boldly addressed by all key development partners. What, then, should ACP and

EU countries do, in partnership, in order to achieve growth-oriented development? The following arguments, though indicative only, represent a consensus of views of some key African stakeholders who were interviewed in the course of our recent study.

One of the strategic points of departure in the EU-ACP negotiations would be to seek to cooperate and collaborate in the WTO in order to change the interpretation and application of respective rules and regulations so as to make them compatible with the development interests and peculiar concerns of ACP countries. For this purpose, the immediate rules to be addressed and sorted out in the WTO include issues of waivers, transition period, product coverage and the modification of the Enabling Clause.[1] In our view, this particular negotiating position is strategically more judicious than rushing to sign the EU-ACP Framework Agreement by 2005. In fact, a renegotiated WTO Treaty is likely to maximize the bargaining options for ACP countries in the ongoing negotiations.

* * *

In the forthcoming WTO Negotiations Round, changes in the above-mentioned rules will have to be sought in order to provide alternative trade and investment regimes with the capacity to contribute to the achievement of the above mentioned development cooperation objectives. An ACP perspective of special and differential treatment of developing countries in the world trading system needs to be recognised and made acceptable in the forthcoming WTO negotiations. In this regard, Article XXXIV (8) on Trade and Development of the GATT, which allows developing countries the flexibility not to offer reciprocity to developed countries, should form an integral part of Article XXIV of WTO.

Second, and closely related to the above argument, is the question of allowing for asymmetrical trade arrangements between EU and ACP countries for a specified period of time. This asymmetry should include the protection of certain sectors and products for a specified period as well as allowing for an adjustment period. The extent of such dispensations should differ from region to region and from country to country, depending on their respective levels of development, income or human development, debt overhang, level of competitiveness, vulnerability to preference erosion and export dependency on EU markets.

The third strategic point of negotiation is the need to address the ACP capacity problem—the lack of capacity to plan, implement, manage, monitor and maintain development programs and mobilize the entire population in the development effort. Indeed, numerous causes are said to underlie ACP profound economic malaise, including low levels of development at the time of independence, poorly conceived economic policies, natural disasters and

a hostile international environment. However, in recent years the most fundamental of all causes has been identified as the severe lack of capacity in ACP countries (World Bank, 1996), which is now well recognised as the missing link in development. Without sufficient capacity, neither government nor the private sector can adequately perform the tasks that make the economy function. The need for capacity manifests itself in virtually all sectors and areas of ACP national economies. These include the government sector, the private sector, as well as the civil society institutions. In order to facilitate the process of macroeconomic reforms, accelerate the pace of growth and effectively manage development cooperation resources, it will be imperative that ACP countries create the necessary capacity.

There is also need to negotiate for the resolution of the ACP debt problem. From the early 1980s to the present, ACP's debt burden has grown more onerous and increasingly unmanageable. Most of the ACP countries' low capability to service their debts is vividly reflected not only in the massive build-ups of arrears and high service ratios but, most important, also in the number and frequency of reschedulings. The resultant debt bondage has irretrievably compromised the debtor's national sovereignty, however crudely defined, and diverted scarce resources from basic productive investment and critical social services.

If poverty alleviation is at the heart of the EU's future initiatives, the very conditions that lead to stagnation and marginalization of ACP countries have to be overcome. Economic growth and investment are not likely to take root unless the question of debt is brought to the centre stage. In fact, some recent studies have suggested that investors, local as well as foreign, have increasingly been unwilling to take the risk of investing in most of the ACP countries, which have been repeatedly tagged as "bad debtors". By the same token, large stocks of external debt in ACP countries have tended to discourage foreign capital flows and encouraged capital flight (ECA, 1997). Apart from diverting domestic financial resources, debt servicing has resulted in the diversion of development assistance, with bilateral aid being used to refinance the debt owed to multilateral creditors. It has been estimated that around one quarter of bilateral aid—some $9 billion annually—is now being used directly to finance debt repayment. Urgent international action is needed to provide a sufficient and durable solution to the severely indebted low-income countries.

The 1996 Human Development Report suggested a combination of four measures to reduce ACP debt, namely: (i) parallel measures to deal rapidly and comprehensively with all outstanding debt (commercial, bilateral and multilateral); (ii) commitment to use part of the benefits of debt forgiveness for massive investment in human development;

(iii) more straightforward and public monitoring of the benefits of forgiveness to enable concerned citizens to see the progress of individual countries; and (iv) a small but high-level political meeting, with representation from both the severely indebted low-income countries and creditor countries to devise a strategy for more rapid action (UNDP, 1996).

We are therefore proposing that a new development cooperation compact should seriously reconsider the ACP debt problem. A full or almost full cancellation of ACP debts by EU should, in our opinion, be perceived as a *sine qua non* for sustainable development and poverty reduction. The EU ought to persuade itself to be part and parcel of the larger Jubilee 2000 campaigns, which seek to put an end to the unprecedented financial haemorrhage from the poor countries to the rich countries of the world. More specifically, the EU should consider providing its ACP partners with a debt-free start for the new millennium (Oxfam, 1999). This bold and indeed strategic move, together with the ongoing economic liberalization and free trade, is likely to enhance markedly investor confidence and boost the predictability of ACP economies.

Moreover, there is need for the new development cooperation compact to resolve the ACP's competitive problem. The trade and development provisions of the Lomé Conventions put emphasis on the development of human resources, the development of products and markets, as well as the adaptation and strengthening of trade institutions. However, the majority of the ACP countries have not been able to take advantage of the Lomé preferences because of such constraints as lack of product and market development, non-availability of trade and market information, and the absence of human, institutional and physical infrastructure. These obstacles need to be removed if ACP countries are to achieve sustainable trade and economic development and to attain competitiveness in the international markets.

It is imperative, therefore, for the new development cooperation to reconsider seriously the problem of lack of diversification of ACP economies. Within the previous ACP-EU framework, the two parties agreed on the need for diversification—both vertical and horizontal—of the commodities sector, in particular through the development of processing, marketing, distribution and transport. It was also agreed to improve the competitiveness of ACP commodities through the re-organization and rationalization of their production, marketing and distribution networks. The strategic objective of this program was gradually to move away from low value production efforts to more complex value-adding activities. By 1996 only less than 10 percent of the ACP commodities were processed before export. This poor performance was largely a function of a shortage of financial resources set aside for this program, the absence of European investment in the

sector and the poor functioning of the International Commodity Agreements.

In this regard, the ongoing negotiations may wish to address all the major problems that had hindered the full implementation of this program and then articulate viable suggestions for the post-Lomé economic cooperation arrangement. More specifically, EU governments may wish to encourage their home-based transnational corporations to invest in the processing, marketing and distribution activities of the ACP states. Moreover, ACP states, together with the EU, may consider establishing an ACP-EU investment guarantee mechanism to enable European enterprises to invest in ACP states without undue fear of bankruptcy.

Debt bondage has compromised national sovereignty and diverted scarce resources from basic productive investment and critical social services.

The process of globalization and liberalization is likely to result in heavy adjustment costs for ACP countries, particularly for the least developed ones. Most ACP economies depend to a considerable extent on revenue collected through custom duties and other import measures. The introduction of trade reciprocity with the EU would deprive these economies of this important source of revenue, which is necessary for their development. It is advisable for the EU and the ACP to agree on appropriate safeguards and adequate compensatory mechanisms for the ACP countries and regions that will enter into reciprocal trade arrangements.

Finally, on the question of safety nets for the poor and vulnerable countries, Griffin and McKinley (1996) have proposed the establishment of an international development fund. In their view, because most poor economies are fragile, they would simply be unable to exploit the opportunities that would be made available in the emerging global order. They therefore propose a funding mechanism to facilitate compensation for damages inflicted on the weak by the powerful economies. The transfer would be financed by a progressive income tax on the gross national product of rich countries and allocated to poor countries in inverse proportion to their per capita income.

CONCLUSION

For the last decade and a half, ACP countries have been undergoing extensive domestic economic and political liberalization. The process poses several challenges, but also offers various opportunities. It is important that ACP countries make concerted and pro-active efforts to promote appropriate restructuring that best serves their growth and development objectives. However, the ACP countries' future depends not only

on the radical transformation of their internal policies and institutional structures, but also on fundamental changes in their relations with the industrialized economies of the North. The latter must consider changing their policies too. Only when there are realistic changes in the global economic framework, as well as in development cooperation strategies, will developing ACP countries stand a chance for sustainable development. The time to take bold political decisions is now. ■

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NOTES

1 Annex 1 of the EU-ACP Commission mandate for the second key issues, namely the institutional question – whether it should be free-access only, how much of the current preferential trade arrangements should be retained and for how long, and the level of processing requirements for exports. For a comprehensive discussion of these arguments see Mackie (1998).

Civil Society: A Window on the Future of Partnership?

BY EDWARD T. JACKSON, TIM DRAIMIN AND CHRIS ROSENE *

Non-governmental organizations are "restructuring, reskilling and renewing" in order to meet the challenges of our changed world and are also "regaining a new appreciation of partnerships." There are emerging new relationships between northern and southern NGOs, which move away from the donor-recipient dynamic into authentic partnerships involving shared ownership and decision-making. The authors examine this trend, drawing on the experience of joint ventures or coalitions of Latin American and Canadian NGOs.

INTRODUCTION

At the onset of the new century, partnership is high on the agenda of all social actors engaged in the development enterprise. Governments, civil society and the private sector must all improve their understanding of how to structure and sustain productive partnerships. In today's integrated and volatile world, complex problems increasingly demand rapid solutions based on the knowledge and resources of a multiplicity of sectors and institutions. In this context, multi-stakeholder partnerships that solve real problems are becoming especially valuable.

One source of practical experience with the potential and challenges of partnership is the long and rich history of relations between Northern and Southern non-governmental organizations (NGOs). Joined by their common values of equity, justice and solidarity, and obliged by the uncertainty of their funding base and the breadth of the development issues they seek to address, NGOs have often generated innovative vehicles for collective action. This paper examines lessons on partnership now emerging from one such experience: cooperation between Canadian and Latin American NGOs.

* See end of the article for brief biographical information on the authors.

Civil-society organizations are working hard to adapt themselves and their alliances to the world that they are engaged with today. As the power of markets continues to rise and the power of states continues to decline, as the gap between rich and poor grows larger across and within countries, as regional human disasters erupt unpredictably from ethnic conflict, disease or climate change, and as trade and investment regimes become even more integrated, NGOs are restructuring, reskilling and renewing in order to meet the challenges of this new world.[1]

In this context, NGOs are also regaining a new appreciation of partnerships. It is true that, too often North-South relationships have taken on characteristics, driven by the donor-recipient dynamic, that undermine partnership: asymmetries in power, money and information; one-way accountability; and mutual distrust.[2] However, in thousands of cases in every corner of the globe, Northern and Southern NGOs have, in fact, been able to transform their relationships into authentic partnerships involving mutual respect and trust, mutual accountability, and shared ownership and decision-making. For the most part, such partnerships have involved joint ventures or coalitions of NGOs, and have generally remained within the sphere of civil society.

NGOs continue to explore new roles in relation to the state and the private sector, as well. With governments, NGOs have often sought to play several roles at the same time: oppositional political force, policy critic and formulator, program grantee, and program-delivery contractor. Northern and Southern NGOs play all of these roles, to varying degrees, and put much effort into managing the contradictions therein.

In the wake of falling ODA spending, NGOs have also turned to the private sector, and are examining a similar range of often contradictory roles—with evident ambivalence. Many NGOs are long-time critics of corporations, and their cultures are deeply anti-corporate. Others have moved more easily toward business, seeking grants, strategic alliances and even board involvement from business leaders. In addition, many NGOs participate in policy-oriented roundtables and task forces involving the private sector and the state. There is growing recognition that both NGOs and business need new skills and processes in order to interact productively. However, their relationships must also recognize and protect the differences of the respective stakeholders.[3]

With governments, Northern and Southern NGOs often play several contradictory roles at the same time: political opposition, policy critic and formulator, program grantee, and program-delivery contractor.

The challenge now before all development institutions and organizations—and civil-society organizations in particular—is to enable the formation and sustenance of effective and efficient, results-oriented, multi-stakeholder structures and processes. These new partnership vehicles are essential in solving the world's problems—not through rhetoric from on high but through hard work on the ground. At the same time, such vehicles must also allow all the parties to maintain their critical perspective and stance, and the freedom to oppose one another on issues where there is not agreement. The world is complex; so is the nature of partnership. And, in the final analysis, partnerships must deliver concrete results for all of the participants; overall, the benefits must outweigh the time and money spent by participants on these relationships.

All social actors would be well advised to follow these developments closely. How civil-society organizations build new and complex relations with the state and with the private sector can teach multilateral and bilateral donor agencies much about how they themselves can become involved in multi-stakeholder partnerships, and what a new division of labour among the various social actors might look like in the near future. It may be that multilaterals, in particular—given their Southern orientation, diplomatic agility, and regional and sectoral expertise—could play a strategic role in convening multi-stakeholder processes and in animating the various parties to achieve concrete results where they matter most.

CANADA–LATIN AMERICA NGO COOPERATION: EMERGING LESSONS ON PARTNERSHIP

One specific experience worth reviewing in some detail is cooperation between Canadian and Latin American NGOs. Instructive lessons on partnership are emerging from recent innovation in relations among these parties.

History of cooperation

Canadian civil-society partnerships in Latin America go back to the early 1960s, when Canada's publicly funded aid program began. Some of the longest-running partnerships are those initiated by church groups and development NGOs in that period or earlier. Unions, cooperatives and universities also established relationships in the 1960s and 1970s. As more funding became available from the Canadian International Development Agency (CIDA), Canada's official aid agency, the web of linkages expanded. Canadian spending in the region increased steadily until the early 1990s. During the 1970s and 1980s, Canadian NGOs established themselves as distinct from their counterparts in the United States or Europe. Without the political baggage associated with NGOs from the United States, Canadian NGOs often found it easier to build trust with Latin American part-

ners. At the same time, they lacked the resources of European NGOs, obliging them to combine forces or find innovative ways to achieve impact.

Although Canada's levels of official development assistance (ODA) spending fell in the 1990s, its political and economic role in Latin America increased. In particular, Canada has been an active participant in the Organization of American States (OAS), which it joined in 1990. Canada will host both the OAS General Assembly in 2000 and the Summit of the Americas in 2001. Canadian trade and investment have also expanded throughout the hemisphere. The expansion of the nation's political and economic presence has provided opportunities for new Canada–Latin America partnerships.

Declining Canadian ODA spending

During the decade of the 1990s, however, Canadian ODA declined by 30% in real terms.[4] This has translated into significant cuts for Canadian institutions and NGOs receiving CIDA funding, causing project dislocations and contributing to re-thinking of long-term programming goals. The cuts have also led to increased competition among NGOs for donations from individuals, leading them to place greater emphasis on the promotion of their "brand". Fundraising related to emergencies has been seen as one of the greatest opportunities to attract new donors, which one hopes can be encouraged to support long-term development work. Significantly, though, following Hurricane Mitch, the Canadian Council for International Co-operation (CCIC—the Canadian NGO umbrella) helped Canadian NGOs active in Central America to undertake *joint* advertising for donations.

Given the remarkable and continuing growth of Latin American civil society organizations (CSOs), relatively static Canadian NGO funding of Southern counterparts is diminishing in relative importance as time goes on. There are several obvious implications of this new situation, including:

- Canadian NGOs have been forced to focus their programs, both geographically (on poorer and/or fewer countries, resulting in dramatic cuts for the Southern Cone in particular) and sectorally, in order to ensure they are operating cost-effectively in a niche where they enjoy a comparative advantage.
- In turn, this forced many Latin American NGOs to scramble to generate earned income and/or reduce programming. The funding pinch on Latin American NGOs, coupled with democratic openings in some countries, has seen a haemorrhage of their talent flow into the state and private sectors. (The positive aspect of this trend is having NGO-knowledgeable people now in those sectors when partners or policy dialogue is being sought.)

- Canadian NGOs are recognizing the need to shift their funding from service delivery (where growing needs can never be met by Canadian funding) towards local capacity building. Key capacity building areas include *advocacy training* (to strengthen Latin American NGOs' ability to influence local, national or multilateral policy-setting) and *resource mobilization* (to help local NGOs take advantage of various income opportunities, ranging from fundraising with local publics through to earned income, multilateral project funding, and even partnerships with local governments or the private sector).[5]
- The fall in aid spending accelerated the focus on results-based programming and professionalization. Expectations have risen regarding how Canadian and Latin American NGOs generate, manage and disseminate knowledge and innovation.

While the decline of ODA has clearly been disruptive, it has also had the salutary effect of sensitizing Canadian and Latin American NGOs to their dependence on ODA funding sources. It has also set into motion a willingness to experiment with once taboo subjects, such as inter-sectoral partnerships and social entrepreneurship.

Changes in the Latin American environment

In the 1990s, Latin American partners of Canadian civil society organizations witnessed a range of changes to their broader external environment. Latin American NGOs saw a drastic reduction in foreign funding, as most Northern donors trimmed their aid programs.[6] In addition, the dominant economic and social policy framework changed. A much greater emphasis was placed on market-oriented approaches, stressing the values of competition, individualism and efficiency. And, as government services were restructured, downsized, or privatized, NGOs acquired a greater role in service delivery functions.

In the political realm, the near-universal presence of electoral democracy in Latin America in the 1990s enhanced, at least theoretically, the legitimacy of civil society groups as actors in the social-policy sphere. Meanwhile, the end of the Cold War changed the terms of international relations for several actors in civil society, most notably the trade unions. Groups that once regarded each other as potential enemies have found a new basis for collaboration. Other global changes, such as rapidly expanding Internet use, have enhanced the participation of Latin American civil-society organizations in international thematic networks (e.g., human rights, women, environment).

Latin American civil-society organizations have reacted to these changes in a variety of ways. On the negative side,

some NGOs have had to put more energy into self-preservation, reducing staff or taking on contracts with government departments or agencies, sometimes distracting them from their core mandates. On the positive side, they have developed a greater appreciation for efficiency, effectiveness and strategic planning, and have learned from the new relationships they have had to establish.

Because their external environment has changed significantly, Latin American NGOs have developed a greater appreciation for efficiency, effectiveness and strategic planning, and have learned from the new relationships they have had to establish.

The decentralization of administrative functions to the municipal level in many countries of the region has caused a shift in focus to local issues and local politics, while global issues become more commonly felt throughout the hemisphere. Latin American civil-society groups are therefore interacting with local governments and businesses, in a way that is actually similar to the context already familiar to Canadian civil society. Issues such as trade liberalization, ecological preservation and gender are just as common in the discourse of Latin American civil-society networks as they are among their counterparts in the North.

However, some analysts have advised caution in interpreting the changed context in Latin America. Some commentators note that, across Latin America, the military still plays a key role, insecurity is very high, poverty levels are unchanged and democratic practices are not institutionalized.[7]

What partnerships have worked?

Against this backdrop of change, Canadian and Latin American NGOs sought to adapt their individual and joint capacities to respond to the new conditions of the 1990s. There has been a consistent and high degree of interest among all parties in how to structure and maintain successful relationships.

In 1996, under the sponsorship of the International Development Research Centre (IDRC), a Canadian ODA agency, a meeting was held of NGOs, universities, consultants and ODA agencies to assess their experience with Latin American partnerships. Participants confirmed the importance of shared decision-making, transparency, mutual respect, and compatible values and strategic interests. At the front end, they noted, it is important when choosing partners to undertake due diligence (such as the in-depth exploration which private sector firms make into the business operations of a potential partner). And partnership agreements can useful-

ly set out the objectives and success indicators of the relationship, the financial and other obligations of the parties, and provisions for ending the partnership. During the implementation phase of the partnership, open, two-way communication, administrative transparency, frequent face-to-face contact and continuous electronic contact all can promote a successful partnership. Productive relations between the "champions" of the relationship in each of the participating organizations can also exert a positive influence, participants observed.

Among the obstacles to partnership identified by the meeting were lack of funds for travel and exchange, and lack of time to nurture and build the partnership. Declining markets or funding, lack of communication, asymmetry in the contributions of each of the parties, personality conflicts, and diverging goals were other obstacles noted by participants. Still other obstacles include entrenched vested interests, over-reliance on particular funders, political factors influencing funding, lack of adaptability of one or more of the partners, and lack of a negotiated exit plan.[5]

New forms of partnership

Canadian and Latin American NGOs also experimented with new forms of partnerships in the latter half of the 1990s. These new vehicles have tended to be thematically focused, regional in scope, research intensive and results oriented. Support from IDRC, CIDA and organized labour has been crucial to these vehicles for joint analysis and action. Three cases are profiled here.

1. The Hemispheric Partnership Initiative

Canada's umbrella group for development NGOs, the Canadian Council for International Cooperation, launched a joint research and policy development initiative in 1995, involving Canadian NGOs and their partners in Latin America. This project, known as the "Hemispheric Partnership Initiative", or HPI, was funded by the International Development Research Centre. The initiative was a departure from the traditional work of the Canadian NGO participants to promote community development activities through technical support or funding of discrete projects or programs. Three HPI consortia involving participants in both North and South worked together on themes of common interest, including decentralization of government, rural responses to economic integration and community responses to mining. Each consortium comprised a broad mix of participants from North and South, some of whom had had no previous contact with one another.

By working on a collaborative research and capacity-building initiative, Canadian and Latin American partners in the HPI side-stepped the relationship of financial dependency too often characterizing such relationships. Latin American participants were surprised and

pleased that the Canadians were willing to work together with them in a mutually respectful way, without the usual interchange of project plans and reports in exchange for funding. All participants found that they had much to learn from organizations that were not their "traditional" partners—that is, organizations they would not have met otherwise through the normal course of development-support activities.

Participants also found value in the process of joint reflection on past work or strategies, and in spending time and money to research a relevant theme area. Such activities are too seldom practiced during the regular course of the project cycle, especially in a joint form engaging partners from both North and South."

2. *The Hemispheric Social Alliance*

In response to what they regard as a common threat from neo-liberal economic policies, civil-society actors in the hemisphere have begun to develop a "common agenda" in response to the drive by government and business for greater economic integration and free trade. In particular, they are responding to the governmental proposal, launched at the Summit of the Americas in Miami in 1994, to establish a Free Trade Area of the Americas (FTAA) by 2005. A loosely knit international coalition known as the "Hemispheric Social Alliance" (HSA)—composed of unions, environmentalists, church groups, development NGOs, human rights advocates, women's groups and small farmers' groups—has come together to oppose or influence this plan. HSA members have been gathering at parallel events to the FTAA trade ministers' meetings and at the Second Summit of the Americas in Santiago, Chile, in 1998. They plan to organize another "People's Forum" at the Third Summit, scheduled to take place in Canada in 2001.

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Several aspects of the HSA are interesting from the point of view of North-South partnerships in civil society. First, the coalition has decided not only to oppose what they view as wrong in the FTAA plan, but also to develop their own proposal for hemispheric integration. This has involved research, discussion and debate in order to come up with principles and alternatives that are equally valid for North and South. The first attempt by members of the Hemispheric Social Alliance to articulate their alternative vision was a joint publication by

groups from Canada, the United States, Mexico, Chile and Brazil.[9]

Participants have learned from each other in unexpected ways. Southern groups, for example, have learned that poverty in the North is a serious issue. Environmentalists from Canada and the United States have had to acknowledge the "ecological debt" represented by uneven consumption patterns in the North. Participants in both North and South have been obliged to recognize the different perspectives of large, institutionalized, constituency-based organizations, such as the Inter-American Regional Organization of Workers (ORIT), compared with those of small, research-oriented NGOs or advocacy groups. And women's groups from North and South have found common cause in trying to influence the agenda of both the FTAA, and the hemispheric alliance itself, to become more conscious of gender issues in trade and economic integration. Collective learning and joint ownership characterize this partnership.

3. *Horizons of Friendship*

Horizons of Friendship is a small Canadian development NGO working only in "Mesoamerica" (Central America and Mexico). It is unusual in many respects, for one reason because it is based in a small town, rather than in the capital or a major city. Started in the 1970s as a charitable response to victims of natural disasters in Central America, Horizons has evolved over the years to become an NGO that emphasizes the quality of partnership as one of its key concerns.

Since the late 1980s, Horizons has worked with a limited group of partners—15 to 20—in Mesoamerica. Part of the work of Horizons is the same as that of many other development NGOs: providing funding for grass-roots development activities via its partners. However, Horizons has also worked with its partners to jointly explore themes of common interest, such as gender and the environment. Along with its partners, Horizons has participated in workshops and analyses in order to develop common policies and action plans of these themes. By jointly developing the policies, rather than establishing benchmarks that must be met as a prerequisite for funding, Horizons has earned a reputation as an organization that values partnership over financial and administrative concerns.

Recently, Horizons and its Mesoamerican partners have begun to explore other areas of common concern, such as how to develop a results-based orientation to programming, and how to use their experience at the grass-roots level for the purpose of policy advocacy. Several partners are also interested in exploring alternative revenue-generation schemes to reduce dependency on ODA funds.

New funding arrangements

While financial *sustainability* remains a long-term goal for civil-society organizations throughout Latin America, most

struggle to maintain a modicum of financial viability. This situation has led to new efforts to accelerate market-based income-generating paths and to increase the volume of local fundraising from individuals.

To facilitate the fundraising agenda, a much more favourable enabling environment needs to be crafted. On one hand, this means encouraging national governments to make available tax incentives for donations. On the other it requires local voluntary sectors to clarify and publicize their status as charitable institutions as well as build fundraising programs.[11]

The Canadian International Development Agency (CIDA) has recognized these challenges and has begun to engage the United Way of Canada in an exploration of social technology transfer to help promote local fundraising strategies. A small NGO, Pueblito Canada, is involved in similar work, helping counterpart organizations in Brazil build federated fundraising approaches. The skill sets of Canadian grant-making institutions are also recognized as representing an important resource. The umbrella group for Canada's 80 locally endowed grant-making community foundations, Community Foundations of Canada (CFC), is participating actively in the World Initiative for Grantmakers Support (WINGS). Canada's largest community foundation, the Vancouver Foundation, has been assisting in the establishment of a Mexican community foundation. These linkages are expected to grow.

Canadian corporate philanthropy has been embarrassingly lax in its international giving. This is slowly changing as corporations reflect on the fact that their operations have globalized, but their philanthropy has not. The most interesting sector to monitor in this regard will probably be mining, owing to remarkable growth in recent years in activities of mining companies throughout Latin America.

Over the past five years, Canadian and Latin American NGOs have tested new strategies for addressing the fundraising constraints they have identified in the North and the South. These new strategies have involved joint emergency appeal fundraising, blending loans and grants, engaging in partnerships with corporations and mobilizing the membership of trade unions. Four examples are presented below.

1. Americas Policy Group

In the wake of the devastating Central American Hurricane Mitch in 1998, Central American and Canadian NGOs built on long-standing partnerships to work collaboratively on emergency and reconstruction programming and in influencing the aid policies of international donors. Critical to facilitating this collaboration was the existing Canadian NGO inter-agency working group, the Americas Policy Group, a part of the Canadian Council for International Cooperation (CCIC). Some specific outcomes of this group have included:

- Joint emergency appeal fundraising. The outpouring of public support and the millions of dollars NGOs raised helped to stimulate CIDA's pledge of $100 million for reconstruction over four years;
- Canadian and Central American NGOs, in concert with other Northern counterparts, successfully brought civil-society representation into the donors' group activated for reconstruction, and promoted a critical assessment of existing development approaches;
- Special calls were generated for debt moratoriums or relief for Central American countries;
- Canadian NGOs supported a Central American–led assessment of regional needs and ways to promote alternative patterns of development;
- North-South discussion was promoted on new forms of North-South partnership. This started with a suggestion to establish a Central American regional grant-making foundation. Its role would be to leverage external and local resources for a locally controlled endowment and act as a mechanism to channel Northern NGO funding in ways which would shift projects into programs.[12]

2. *Calmeadow and BancoSol*

The Toronto-based Calmeadow Foundation, along with a number of Northern organizations, has been assisting in the creation and development of BancoSol in Bolivia. [See separate article in this issue. –Ed.] Started in 1992, this profitable commercial bank serves 60,000 low-income microentrepreneurs with loans of up to $500. Calmeadow worked with a Bolivian foundation, Prodem, which had been created by local business leaders, to create BancoSol as a more efficient vehicle for scaling up Prodem's microcredit program, originally operated with the American NGO ACCION using USAID funds. Prodem owns over 30 percent of BancoSol. Other partners in the conversion process from the foundation to the bank included the Inter-American Development Bank, ACCION, SIDI of France, FUNDES of Switzerland and the Rockefeller Foundation. These organizations, along with the Calvert Fund, an American ethical mutual fund, the International Finance Corporation and the Swiss government, then together created Profund, a $20 million investment fund dedicated to accelerating the development of sustainable microfinance institutions throughout the Americas.[13]

Notable features of the BancoSol experience include strong local champions, an international group of [illegible]ed institutions, a specific and targeted focus, a blending of grants and loans, and the use of both non-profit and business structures. These may suggest directions for the future for other Southern civil-society ventures, especially those involving microfinance and philanthropy.

3. *CoDevelopment Canada*

One innovative cross-sectoral model involving NGOs and corporations is an initiative of CoDevelopment Canada. It works with partners in Nicaragua and Bolivia to assist communities in mining regions in establishing and maintaining effective relations with Canadian mining companies operating in their localities. Some Canadian mining companies are placing increasing priority on the systematic development of mutually beneficial relationships with local communities, recognizing the importance these relationships have on their corporate reputations and operations. Using a community decision-making model, CoDevelopment is piloting the community capacity-building processes with financial support from the International Development Research Centre and from the two mining companies involved.

Among the lessons generated to date by this initiative are that companies should:

- assist communities to address the causes of poverty rather than its symptoms, and to promote sustainable, independent local development strategies;
- provide communities with time and money to create or strengthen structures that can effectively represent communities' interests;
- support a thorough public-education process on the environmental, social and economic impacts of mining activities, providing communities with enough time and money to independently assess company claims;
- engage professional assistance, from local or international NGOs, to help bridge cultural and socio-economic differences, build trust among the parties and put in place a long-term community development approach.[14]

4. *Labour International Development Committee*

The Labour International Development Committee (LIDC) is an umbrella forum for Canadian labour organizations active in Latin America and other parts of the developing world. Its members include the Canadian Labour Congress, Canada's largest labour centre, and four international development funds run by CLC-affiliated unions: the Steelworkers' Humanity Fund, the Canadian Auto Workers Social Justice Fund, the Humanity Fund of the Communications, Energy and Paper Workers Union, and the Union Aid Fund of the Canadian Union of Public Employees. Between 1995 and 1999, more than half of LIDC-supported projects were undertaken in Latin America with trade union and NGO partners. Projects focused on, among other themes, women in unions, labour education, democracy and the mining sector. During 1995-1998, the three largest labour funds in LIDC raised more than C$7.5 million in private donations from Canadian workers, via

provisions in their collective agreements.[15] These funds were often matched by public funds through CIDA grants. In this era of tight ODA spending, the impressive private fundraising capacity of the labour funds in particular is becoming apparent to Canadian and Latin American partners alike.

Looking ahead

Canada–Latin American NGO cooperation enters the 21st century equipped with the lessons of a decade of experimentation and propelled by the momentum of mutual interest and respect. Underpinning the innovation of recent years is an unshakable common resolve to learn together in order to move forward together. Much can be built upon this foundation of long-term and forward-looking solidarity.

IMPLICATIONS FOR MULTI-STAKEHOLDER PARTNERSHIPS IN THE SOUTH

While the case of Canada–Latin American NGO cooperation is a very particular one, and is perhaps characterized by some features which may not be fully replicable elsewhere, this experience nonetheless offers a number of lessons for multi-stakeholder partnerships in the South. Among these lessons would seem to be the following:

- *International trade and investment agreements can provide useful frameworks for stakeholder analysis and action*. Global and regional economic integration demands that all stakeholders affected by such agreements come together to debate and solve shared and complex problems. For better or worse, it is these types of agreements—rather than ODA plans or national policies—that frame much of international cooperation today.
- *Knowledge intensity is increasingly important*. The nature of the problems social actors must address in today's world requires knowledge-intensive research and development (R & D). Partnerships that provide new R & D can keep stakeholders "at the table", even if being there is time-consuming and expensive, and moving forward together. Electronic connectivity enhances productivity, as well.
- *Shared ownership and decision-making must be negotiated*. It is both obvious and profound to recognize the need to commit to an authentic sharing of power, money and information. But efforts must be renewed to do so across sectors, regions and issues. Unless these conditions are in place, multi-stakeholder partnerships in particular will not succeed.
- *Labour and business must be dealt in*. The resources and power of organized labour and of the private sector must be mobilized through multi-stakeholder partnerships. Their objectives and cultures are each unique, and must be

understood and addressed. But the state, civil society and ODA agencies on their own will not be able to solve pressing global problems without the participation of these two critical actors. Creative ways must be found to engage them.

- *The North still matters.* The nature of globalization and its associated problems require continued involvement from both the North with the South. But the North's role as donor or funder, at least via ODA channels, is receding. Like their Southern counterparts, Northern social actors seek to both produce and consume knowledge that will enable them to manage change; partnerships can help the parties generate such knowledge together.

In terms of the *substance* of partnerships—that is, the focus of their work—there would seem to be three broad areas suggested by the cases reviewed here:

- holding corporations and states accountable for their actions;
- democratizing decision-making in corporations and in states; and
- strengthening the performance of civil society organizations.

There are international networks of expertise and analysis in a range of related areas, including corporate social responsibility, corporate social and environmental accounting, socially responsible investment, fair trade, participatory governance and development, and CSO capacity development, among many other things.

The Canada-Latin America NGO experience also underscores the importance of addressing the material basis of multi-stakeholder partnerships in light of declining ODA levels. Civil-society organizations, in particular, must strengthen and diversify their private fundraising and earned-income techniques toward this end. For their part, Southern governments must create a fully enabling legal, tax and regulatory environment to encourage private philanthropy and social entrepreneurship, with the necessary tax incentives to permit individuals, corporations and foundations to make a real difference.

DIRECTIONS FOR MULTILATERAL ORGANIZATIONS AND DONOR AGENCIES

Multilateral organizations and donor agencies have important roles to play in this new era, despite changing economic and political conditions and constraints on aid spending. Both multilaterals and bilaterals, as well as major foundations, should focus their support on corporate accountability, public governance and CSO strengthening. And they should devote serious attention to removing the self-prescribed obstacles (and incentives) that prevent them from coordinating effectively with one another within and across sectors.

The World Bank recently introduced a new concept called the Comprehensive Development Framework, a multisectoral, multidisciplinary approach to

development involving the state, civil society and the private sector. While this idea is being debated and tested, there is little question that resources and strategies from all the key social actors must, in fact, be brought to bear on the process of economic, social and political transformation in the South.[6] How national sovereignty, the profit orientation of business, and the social-justice concerns of NGOs and CSOs can be balanced and resolved within the context of the CDF is going to depend in large measure on the effectiveness of multi-stakeholder partnerships in the South.

In this regard, multilateral organizations may well have a special role to play. In particular, they can be vehicles for dialogue among the key social actors in sectors and regions. Their prestige and resources can give profile and momentum to timely ideas. Most important, multilateral organizations can bring diverse sets of actors to the table to debate, and consider joint action on, issues of contention involving corporations, civil society and governments. Here, though, they will need strengthened skills in listening, facilitation, brokering, negotiation, conflict resolution and coalition management. Globalization has generated a host of critical issues where there are deep divides among the social actors, but also new opportunities for common understanding and joint action. And the multilaterals must work hard to achieve a rapid, flexible and responsive relationship to multi-stakeholder partnerships; there is no place here for ponderous bureaucracy.

Each of the specialized agencies has impressive sectoral expertise and knowledge to bring to bear on the world's problems and on negotiations among social actors. As the International Labour Organization (ILO) Director-General, Juan Somavia, recently said of that organization: "The ILO is one of the only places where you have employers, workers and government engaging in dialogue, talking things out to find common solutions".[7] Other specialized organizations, to some degree, already provide a space for dialogue on their policy areas (e.g., World Health Organization on health, the Food and Agriculture Organization on food). However, in terms of their governance, these institutions must achieve a feasible balance of representation, perspectives and values across civil society, governments and corporations, if they are to be of optimum use.

And "talktests" are not enough. Real agreements, with rules, standards and procedures of mutual accountability, must emerge from multi-stakeholder dialogues animated by the multilaterals. Real interests—as expressed by money and power—are at stake and must be negotiated with sophisticated calibration in order that such agreements may materialize and be sustained. The stakes are high and the price of failure is great. But the price of not trying is much higher still.

CONCLUSION

In a volatile and globalized world, the nature of international cooperation is shifting from an ODA-driven, program-oriented enterprise to one which is framed by international agreements, demands knowledge-intensive and integrated solutions, and requires the mobilization of significant private funding. In this context, results-oriented, multi-stakeholder partnerships are increasingly important. And multilateral organizations, in particular, may be able to play an important convening and animating role in such relationships.

How civil-society organizations are redefining and operationalizing anew the concept of partnerships is worthy of the attention of all social actors. The case of Canada-Latin American NGO cooperation is instructive in this regard, offering practical lessons in managing and renewing the partnership process. This experience indicates that partnerships focused on trade-agreement areas can work well. Knowledge intensity is crucial in solving today's complex problems. Shared ownership and decision-making in the relationship are paramount. Ways must be found to deal in labour and business, to the practical advantage of each of those social sectors. And Northern stakeholders should be included, not so much as donors, but more as co-producers and co-consumers of knowledge and co-workers for change.

Many other cases of civil-society partnering can be found in all parts of the world, and they are all worthy of detailed study. There is valuable experience in partnering in the state sector as well, as there is in the private sector. It is time to assess these experiences and draw practical lessons from them. All actors in the development enterprise must learn their way forward—separately and together. ■

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MANAGING OUR OWN Democratic Development and Change IN THE South

BY MWALIMU JULIUS K. NYERERE

The late Mr. Nyerere was a schoolteacher in Tanganyika before becoming the leader of its national independence movement and then President of the United Republic of Tanzania from 1961 to 1985, when he was known as Mwalimu (meaning teacher in Kiswahili). At the time of his death in October 1999, he was Chairman of the South Centre. Shortly before that, he had agreed to write an article for this journal on South-South cooperation in a borderless world. It would have suggested ways for the South to respond to a major problem concerning the drive for globalization. Increasingly, he said, developing countries were losing the power to choose nationally appropriate avenues for change and development and to vary from a single Western model of laissez-faire capitalism. Here is his analysis of that problem, which was given in a speech on 17 August 1998 to the Association of Commonwealth Universities at its Quinquennial General Conference in Ottawa, Canada.

CHANGE HAS, throughout history, been a constant part of human experience. But today, change is more rapid than ever before. Its implications are very comprehensive, and yet its first approach is often imperceptible. Who in an isolated and self-reliant African village could have foreseen the economic and social effects which would follow from the first appearance there of a tin bucket? How many people in a developing nation today realise that a financial collapse in a far country may affect their whole livelihood? And how many will recognize the underlying cause of the consequent changes when they do take place? For any society and for every individual, adapting to change

at the present speed is very difficult; yet avoiding change is impossible.

Decades ago, as president of my country, I told Tanzanians that the choice before them was to change or be changed. I was wrong. There was no choice for them. They had to change, and would still *be* changed.

In retrospect, I think that the burden of leadership was easier for my generation than for the leaders of today. The demand for change was coming from us—leaders and people alike. We were speaking on behalf of a united society in demanding an end to the visible, and thus easily understood, alien control over our lives.

Very few of the leaders of the independence movements understood that political freedom could be virtually negated by ever-increasing external economic power over us. Kwame Nkrumah of Ghana was probably the first of us to realize that fact, with his much-derided talk of "neo-colonialism". But even he said, "Seek ye first the political kingdom and all else will be added unto you".

The present generation of leaders have not only to deal with the effects of the economic realities about which most of us knew very little: they have also to do so when the expectations of the people are higher than the general understanding of what is happening and why. It is not easy to explain to the people why the prices they receive for their cotton, their coffee or their copper seem constantly to decrease, while the prices of the things which they need to buy are always going up. How do you explain to an ordinary worker why the same amount of money bought more rice yesterday than he can buy today? And even if you could explain it, it is not explanation which the people want. They want rice at an affordable price, and they want their leader to do something about it.

It was in the wilderness, on the way to the promised land of milk and honey, when the people demanded water, food or simply a change of food, that Moses experienced the pain of being told that things were better in Egypt. When he cried to God, "Lord: What shall I do with these people? In a moment they will be stoning me!" the answer was water from a rock, or manna from heaven, or quails from somewhere. In the wilderness of globalization and liberalization, our god or goddess is a callous and uncaring Market.

It is not explanation which the people want. They want rice at an affordable price, and they want their leader to do something about it.

Yet leadership today is very much about water, food, jobs, shelter, education and community. It is about organizing our communities, and rallying the people to the kinds of action which will increase the supply of these goods and

services to the people—and all of the people. The people are not fools. When the rains fail, or El Niño causes the floods, they do not blame their government. What they do demand is that their government bring emergency food supplies, or help them to rebuild a bridge, or do other things by which they can overcome the disaster. But they will not accept an excuse for inaction by the leaders on the plea that the IMF wants their government to give first priority to the servicing of their country's foreign debt.

Organizing our societies to achieve post-independence social and economic objectives was bound to be difficult even without the pressures of globalization and the structures of the international financial organizations.

The call for freedom from an external power unites all the victims of the system—rich and poor, educated and uneducated, Christian and Moslem, Brahman and Harijan Hausa,Yoruba and Ibo. Everybody wants his or her nation to be free, and fights for it or supports those who do.

Unfortunately, however, the call to mobilize our resources so that everyone in our countries can have clean water, education, health care and a means of earning a living is in practice not unifying. For in almost every one of our countries there is a rich and powerful minority which is more concerned to defend their own wealth and privilege—and indeed to increase them—than it is worried about the sufferings of the poor.

In the wilderness of globalization and liberalization, our god or goddess is a callous and uncaring Market.

Tanzania had been independent for a very short time before we began to see such a growing gap between the haves and have-nots of our country. We were—as we still are—a very poor country. We did not have a well-developed moneymaking private sector. Our privileged group was emerging from the political leaders and the bureaucrats, who had all been poor under Colonial Rule but were now beginning to use their new positions in the Party and the Government to enrich themselves. This kind of development would alienate our leadership from the people; yet the overriding need was for the whole nation to work together to fight against what we had named as our three enemies: poverty, ignorance and disease.

So we articulated a new national objective. In the Arusha Declaration of Socialism and Self-Reliance, we stressed that development is about people—all our people, and not just a small and privileged minority. We laid down a Code of Conduct for our leaders. And we set out to try to achieve those stated objectives.

We had already adopted a highly sophisticated and successful democratic single-party system. Obviously, it was based on neither the Westminster model nor the U.S. model. Nor was it based on

the Kremlin model. We did not extol it for others to follow; but it worked for us. It increased the accountability to the people of our M.P.s and Ministers, while emphasizing the common interests and concerns of all our citizens. And that was our objective.

The Arusha Declaration and our democratic single-party system, together with our national language, Kiswahili, and a highly politicized and disciplined National Army, transformed what had been a motley group of more than 126 different tribes into a cohesive nation. That achievement goes a long way to explain the political stability which my country still enjoys today. But that stability comes under ever-increasing strain as inequalities of wealth and power within my country get greater and as our economic woes persist.

A wise Englishman once said that power corrupts and absolute power corrupts absolutely. Our single-party system eventually became complacent, bureaucratic and corrupt. We had to change. We are now experimenting with a multiparty system. We have also—wrongly in my view—abandoned the Arusha Declaration. We are now experimenting with free-market capitalism. As discussed below, this leads to problems as we try to manage democracy and capitalism in today's international climate and imbalance of power.

* * *

In the days of the Cold War, the leading countries of the West created and supported a whole lot of corrupt dictators in the Third World. The Marcoses, the Somozas, the Papa Docs, the Bokassas and the Mobutus of the Third World were all creatures and protégés of Western democracy. It is even said that when elections were proposed for South Vietnam, the Americans opposed the idea. They feared that if the elections were free and fair, the Communists would win!

The Cold War is now over, and refreshingly the same Western countries have now become great champions of democracy and democratic elections everywhere in the world. But it is now their turn to preach a kind of scientific democracy. Democracy is being trotted out as if it were something that could be cloned like Dolly the Sheep and used anywhere and everywhere. We disagree and argue in vain that we must manage our own democratic development and change.

For democracy to work properly, we argue, it must shape its mechanisms to suit the culture, the conditions and current circumstances, and also the nature

Democracy is being trotted out as if it were something that could be cloned like Dolly the Sheep and used anywhere and everywhere. We disagree and argue in vain that we must manage our own democratic development and change.

and purposes of a nation and its people. That is how democracy has developed in all the Western countries. American democracy, British democracy, Canadian democracy, Swiss democracy, etc., are all democracies; but they are not clones of some original prototype. There are different democracies in the countries of the South, which should be allowed to develop their own institutions and characteristics. The people of Burundi, for instance, do not have to be apologetic about wanting to devise a democracy which suits Burundi. What is important is that it should be a democracy, but a democracy that is acceptable to the people of Burundi, and which serves their best interests.

But on top of dogmatic democracy, we have now to contend with dogmatic capitalism also. Once again it is the turn of the capitalist world to insist on a kind of scientific capitalism which every country must follow. It is called laisser faire, free-market capitalism. Its preachers believe that it is both feasible and rational to ask Burkina Faso, and China, and India, and Russia, and Poland, and Brazil, and Tanzania, and Laos, and Fiji to clone American capitalism. But once again, this is absurd. Do you really have one capitalism in the capitalist world of today? Are German capitalism, French capitalism, Italian capitalism, Japanese capitalism and Korean capitalism all clones of American and British capitalism? Have they developed in the same way? And the answer is clearly "No". In real life, no country is operating a pure laisser faire capitalism. Why, then, are capitalists of the South not being allowed to develop their own forms of capitalism?

Compare this to the world of universities represented by the Association of Commonwealth Universities (ACU). Like all Commonwealth organizations, ACU is a consultative body. It enables members to share their problems and to discuss possible ways of managing them. It promotes and facilitates schemes of cooperation or mutual help among all or any group of its members. But the ACU exercises no authority over them, and no power has been delegated to it. Although you learn from one another, no university is trying to turn all the others into clones of itself. Your inequalities of resources and experience are known but merged into mutual respect. The ACU promotes the separate uniqueness as well as the equality of all members.

There are something approaching 200 sovereign nation states in the world, and even more economic and social units. Each of them is in some way different from all the others. Unavoidably, they affect each other. So international organizations and functional institutions have been created. Some of these international bodies do necessarily have executive functions and, thus, have delegated executive power.

Unfortunately, those international institutions which do have executive power have all been established in a manner which increases rather than decreases the relative power in the world

of the already most powerful nations and economic units. This is especially true as regards organizations concerned with finance and trade, where voting on the governing boards is based on the wealth and trade of members.

Thus, these theoretically independent and objective functional institutions are, in reality, controlled by a cabal of the wealthiest, the most developed and the most assertive national governments of the world. The IMF, the World Trade Organization and the World Bank have become smokescreens under the cover of which the major developed nations use their immense economic power in their own exclusive interests.

There was a time when a developing country leader could say "No" to the IMF or World Bank. But no leader of a highly indebted poor country, or a financially troubled Indonesia or South Korea, can with impunity say "No" today. His country will be crucified! So a time comes when the leader is forced to accept a neo-colonial status for his country in return for a financial bail-out from its international creditors. This is the case today in many countries in Africa.

As strong states have become less inclined to risk the lives of their soldiers in overseas adventures, it is now mostly economic power which they use to secure their own interests and international purposes. That pressure is often explained to their own citizens in the name of supporting "Human Rights and Democracy". Good people often support such pressure on those grounds. They do not realize that abuses of fundamental Human Rights are—not infrequently—the direct result of Southern leaders trying to maintain political stability while they force IMF medicine down the throats of their people!

The result may be what is called "IMF Bread Riots". If these are put down by force or by political sleight of hand, the dissatisfaction of the people may fester and break out later into general social unrest or even civil war.

But leadership cannot be about telling people what to do and then (if they don't like it) forcing them to do it by the use of the police or the military. In any case, to use force against hungry people who are protesting against an increase in their poverty should be considered obscene by any modern society.

Indonesia had for years been quoted to African developing countries as an example of "how to develop". We were urged to copy it. In vain we pointed to the different circumstances of the African and southeast Asian countries. In vain we pointed out that none of the so-called "Asian tigers" had developed through following laisser-faire capitalist theory.

Yet now that Indonesia has become the victim of international currency speculation and its President has been forced to resign, we are hearing the same usual explanations for its failure: it was a corrupt and dictatorial state which denied human rights to its people, and which stifled their initiative by smothering their

freedom. It is now quoted to us as an awful warning rather than an example!

The relentless and single-minded drive by the rich and powerful of the world to globalize and liberalize, to privatize every public enterprise, to deify the market, to weaken our Governments and make it impossible for them to intervene decisively on behalf of the poor and powerless: all this will, no doubt, succeed in creating immense wealth and power for a minority of countries and a minority of citizens in every country. But it is also creating massive poverty and hopelessness for the majority of the countries of the world and their citizens.

This cannot be a good recipe for peace and security in the world, for genuine peace and security within nations and between nations is a result of justice. If peace in the world is to become a possibility, the governance of international institutions must be based on some kind of appropriate democracy —on some basis of accountability to all the people of the world. As the world becomes increasingly one, its governance should become increasingly democratic and just. It is NOT moving in that direction. On the contrary, governance at the international level, when it is not simply chaotic, is becoming increasingly arrogant, authoritarian and unjust. A nation so governed cannot have peace and stability. Nor does it deserve to have peace and stability. A world so governed cannot be an exception.

The drive to globalize and liberalize, privatize and deify the market, and weaken our governments so they cannot intervene decisively on behalf of the poor and powerless is creating massive poverty and hopelessness for the majority of the countries of the world and their citizens.

OPEC: The Quest for Alternative Financing for Development

BY IZ OSAYIMWESE

There are many correlations in OPEC countries between oil prices and revenues, domestic and external investments, development in OPEC countries and OPEC development assistance to other countries. At the same time, growth in long-term world demand for OPEC oil requires more investment to increase production. Against this background, the author looks at how increased economic globalization and innovations in world financial architecture could help in meeting oil production needs and providing alternative funding for development. The author headed the OPEC Economics and Finance Department in Vienna. At Lincoln University in Pennsylvania, USA, he is Research Professor, Department of Economics and Business Administration, and Director of the Center for Banking, Finance and Entrepreneurship.

INTRODUCTION

The fundamental goal of the Organization of Petroleum Exporting Countries (OPEC) is to secure for its member countries fair shares of the value of their oil endowments, for the purpose of accelerating economic development and improving the welfare of their people. Since its inception in 1960, OPEC's epic relationship with the big international oil companies, the major oil-consuming countries, and the non-OPEC net oil-exporters is replete with efforts to achieve this goal.

Most member countries derive more than 80 per cent of their foreign-exchange

earnings from oil and gas exports. In turn, receipts from the oil and gas sector account for at least 70 per cent of government revenue. Unsurprisingly, the performance of their national economies is closely linked to the fortunes of the domestic oil and gas sector. Investment in oil and gas determines the potential for the sector to provide or leverage financial resources for economy-wide development. Judged by a number of measures, OPEC member countries have made varying degrees of economic and social progress over the past 30 years. Arguably, several reasons can be adduced for the limited progress to date. Perhaps less debatable is the idea that it is now time to review the existing sources of development finance, and the modalities for it in OPEC member countries.

OPEC has evolved over the years and has become a market phenomenon. Since the early 1970s, a significant degree of "re-integration" has been achieved in the oil industry of the world, as between OPEC member countries and the major international oil-producing companies. However, a gulf still persists between OPEC countries and the governments of major oil-consuming countries. This suggests that geo-strategic considerations have played a greater role than is explicitly taken into account, keeping the structural changes that occurred in the world oil industry from having their full beneficial effects. The result, this paper argues, is the imposition of geo-strategic costs on OPEC member countries.

DEVELOPMENT FINANCING IN OPEC COUNTRIES

OPEC participates in development financing at two levels. First, individual member countries finance domestic capital investment from a combination of domestic savings and external borrowing and aid. Second, as a group, OPEC countries provide concessional finance for development projects in non-OPEC developing countries.[1] OPEC's development assistance is provided through the OPEC Fund for International Development, established in 1976 as a multilateral agency with a mandate that combines some elements of the activities of both the World Bank and the IMF.

Before the steep increase in crude-oil price in 1973/1974, it can be argued that domestic development financing in OPEC countries was characterized by the shortage of investment opportunities and needs, relative to the supply of domestic savings. The share of gross domestic investment as a percentage of gross domestic saving was 71 for OPEC in 1965.The figure was much lower for the traditional "low-absorber" countries like Saudi Arabia and Kuwait than for the "high absorbers" like Algeria, Indonesia, and Nigeria. The growth rate in investment surged during 1974-1980 in all member countries, compared to the 1965-1973 levels. In 1989, the gross domestic investment/saving ratio increased to 81 in OPEC from the previous decade's level. This partly reflected lower public savings due to the fall in oil revenue when the oil

market collapsed in 1986. However, investment was lower during 1981-1989 in some countries where there was unsustainable expansion in public investment in 1974-1980. The ratio of 74 per cent in 1997 partly reflects the continued increase in investment in physical, social, and human infrastructure in some key member countries, albeit at a slower pace.

It should be emphasized that the oil and gas industry is highly capital-intensive. With the transfer of property rights over national hydrocarbon resources to member countries in the early 1970s, the onus of developing and sustaining the industry fell on OPEC economies. Armed conflicts involving four OPEC countries during the 1980s and in 1990/1991, the decline of the real price of crude oil, and continued pressure for political and social change within many member countries have strained government finances, reduced national saving, and delayed crucial investment in oil and gas. Yet the required levels of investment in the industry have increased due to the maturing of some fields and the need to adopt advanced technology for competitively exploring, finding, and developing oil. For the reasons given above, OPEC countries have problems generating sufficient domestic savings to fund investment at the right time in an industry that is still crucial to creating a base for sustainable development in those countries. Thus, the quest for alternative development financing is a necessity, at least in OPEC; given the recurring call for a new

Table 1—OPEC: DOMESTIC INVESTMENT AS PERCENT OF DOMESTIC SAVING

Country	1965	1980	1989	1997
Algeria	116	91	100	75
Indonesia	100	63	107	100
Iran	71		107	
Iraq	52			
Kuwait	27		61	
Libya	58			
Nigeria	116	68	62	75
Qatar				
Saudi Arabia	29	35	100	83
UAE		39	63	
Venezuela	74	46	46	57
OPEC average	**71**	**57**	**81**	**74**

Source: *World Development Report*, World Bank: 1991, 1998.

international financial architecture, it is also the *zeitgeist*.

Another reason for seeking new financing arrangements for development projects in OPEC countries relates to the current operations of the OPEC Fund. Over the past 23 years, the OPEC Fund has cumulatively committed US$5.2 billion (in loans, grants, and other contributions) and disbursed US$3.6 billion to over 105 countries worldwide for a broad variety of development projects. Member countries' contributions to the International Fund for Agricultural Development and to the IMF are channeled through the OPEC Fund. The eligible beneficiaries of the OPEC Fund's assistance are governments of non-OPEC developing countries and international development agencies that serve such countries. OPEC member countries are not eligible for the Fund's assistance.

The track record of the OPEC Fund is impressive if not stellar.[2] By the end of 1998, the OPEC Fund approved 778 loans amounting to about US$4 billion for development projects and programs, and for balance-of-payments support. The burden of the Fund's development assistance is not uniformly distributed among its member countries, as shown in the table on contributions. Saudi Arabia and Kuwait accounted for over 47 per cent of the paid-in contributions of US$2.87 billion; when Venezuela is included, the share of the three major contributors to the Fund stood at over 64 per cent, as of December 31, 1998. Table 1 above also shows the disparity between pledged contributions and paid-in contributions, especially by some members from the Gulf region.

Evaluation of OPEC's development financing must include the development effort of the Organization of Arab Petroleum-Producing Countries (OAPEC), seven of whose 11 members are also in OPEC. In 1976, OAPEC's official development assistance (ODA) reached US$4.9 billion, rising to US$9.5 billion in 1980, but falling sharply to US$3.4 billion during 1985-1988, when oil prices dropped to their lowest levels (except for 1998). At their peak in 1980, the combined ODA for OPEC and OAPEC was over US$19 billion, compared with OECD's US$27 billion. Since 1976, the percentage of gross national product devoted to ODA has been between two and twelve times higher for OPEC and OAPEC than the OECD percentage (see Table 2).

While OPEC's international development efforts, through the OPEC Fund, are not widely known, it is now a good time to review some of the assumptions underlying the Fund's development assistance. This review should take account of the structural changes that have occurred in the energy industry and the reality—rather than the historical perception—of OPEC's role in the world oil market. Furthermore, the review should reflect the emerging or persistent economic and geo-political problems of member countries.

Table 2—OFFICIAL DEVELOPMENT ASSISTANCE FROM OECD & OPEC COUNTRIES

OPEC total net flows	1976	1980	1985-88 A (average annual)
ODA OPEC ($m)	5,877	9,636	3,514
(% of GNP)	2.32	1.85	0.66
ODA OAPEC ($m)	4,932	9,538	3,425
(% of GNP)	4.23	3.22	1.29
OECD total net flows			
($m)	13,855	27,296	40,697
(% of GNP)	0.35	0.37	0.35

Source: *World Development Report*, World Bank, 1991

Investment in oil and gas will remain for many years a crucial part of OPEC member countries' strategy for achieving economic development. Obtaining finance for upstream investment has been member countries' responsibility ever since they wrested property rights from the international oil companies.

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The countries have always differed in their approach to generating capital for oil and gas projects. Traditionally, Nigeria, Indonesia, and the United Arab Emirates have always encouraged foreign participation in upstream activities. Saudi Arabia and Kuwait continue to rely on hydrocarbon revenue to finance oil and gas projects, while excluding foreign investment.

In the 1990s, views and practices concerning foreign investment in oil and gas exploration and development became increasingly favorable—except in Saudi Arabia and Kuwait. Even so, the idea of direct foreign participation in upstream projects is no longer far-fetched in Saudi Arabia and Kuwait. Recently, Kuwait announced a major change in policy that will encourage foreign participation in the northern oil fields. The reasons for this change in attitude included the weak oil price trend since the 1980s, the costly war between Iran and Iraq in 1980-1988, the Gulf crisis in 1990-1991, and the associated internal financial, economic, and political pressures on member country governments.[1] The

need for investment in post-sanction Iraq, in Libya, and in Iran to maintain production capacity or develop new reserves has been exacerbated by the US actions against those countries during the 1990s. During the next decade, other OPEC countries are expected to invest heavily in the oil industry to compensate for many years of deferred maintenance and introduce modern oil technology.

INNOVATIVE APPROACHES IN FINANCING

All OPEC countries have more or less binding financial constraints. Saudi Arabia ran current account deficits continually between 1983 and 1995 and recorded minor gains over the past two years. Deficit financing and the high costs associated with the Gulf crisis compelled Saudi Arabia to draw heavily on its foreign reserves and start borrowing from local and international capital markets. As with Saudi Arabia, the Gulf war forced Kuwait to dip deeply into its foreign reserves and borrow to finance the balance of payments deficit. Even the United Arab Emirates, the only OPEC country with no current account deficit so far, should conserve its foreign reserves and not shy away irrationally from foreign borrowing, in the interest of sound macroeconomic management.

In spite of much talk about political risk, OPEC oil, especially from the Gulf region, is still highly desired by the major consuming countries. One estimate is that investment of up to US$161 billion will be needed by the year 2010 to find new reserves, increase production capacities, and meet long-term world demand for OPEC oil. This would raise combined production in Saudi Arabia, Iran, the UAR, Kuwait, Iraq, and Qatar from the 1976 level of 20 million barrels per day up to 30 million barrels. Providing the required increase in crude production capacity would consume 7 to 12 per cent of the six countries' gross oil revenue, or US$147 billion, assuming an oil price of US$17 per barrel, as estimated by the United States Energy Information Agency (EIA).

When the pressing economic, political, and defense needs of OPEC members, in budgetary terms, are combined with the industry imperatives outlined above, it is evident that new approaches to financing development projects, especially those in oil and gas investment, must be sought. Experience over the past 20 years has shown that total dependence on government budget to finance investment in the highly capital-intensive and technology-driven hydrocarbon industry cannot sustain the sector. Other sources of funds must be harnessed, including companies and international financial markets. It is not an either/or choice. Rather, the choice should place a package at member countries' disposal that includes the cutting-edge technology and finance of the major international oil companies, and the potential of a re-designed, informationally efficient, global financial system. All types of risk will have a market in such a system, and

all tiers of the global market will be connected, given institutional changes and advances in information technology. The World Bank Group and the IMF will play an integrating role in the new financial system.

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It is widely believed that the international oil companies, at least collectively, can access huge amounts of money for investing in oil exploration, development, and production in OPEC countries, if the conditions for participation are favorable. This belief has proved to be right in view of the marked change in thinking and practice about foreign participation in upstream activities in several OPEC countries, including Algeria, Indonesia, Iran, Iraq, Nigeria, Qatar, and Venezuela.

A conclusion from the above discussion is that the 1990s strengthened the patchy *rapprochement* that started to develop between OPEC countries and the international oil companies during the previous 20 years. The international oil companies do have a major role to play in financing oil projects in OPEC, in spite of their limited internally generated capital and the competition for capital within and outside the oil and gas industry.

Historically, international financial markets have been the primary sources of long-term capital for the international oil companies. These sources include syndicated debt or project finance, equity capital, public debt and bond markets, and the derivatives market since the 1980s. Syndicated debt/project finance is still the most widely used source by the international oil companies, while activity in equity markets increased during the spate of partial or total privatization of national oil corporations (NOCs) in the 1990s. Some governments in OPEC countries (e.g., Nigeria) still seem to be considering the privatization option for their NOCs. The derivatives market is growing rapidly, with an ever-increasing number of innovative financial instruments. The use of derivatives as tools for risk management and for generating capital in the oil industry has spread beyond the international oil companies. Increasingly, OPEC countries and other oil exporters are active in the derivatives market, in sharp contract to the near-hostility with which some member countries viewed the futures and derivatives market for oil in the late 1980s and early 1990s.

Innovation in the financial services market over the past decade has also resulted in the development of so-called non-traditional financing. The oil and gas industry has traditionally supported the use of non-traditional instruments as a strategy for coping with the effects of low crude oil prices and severe cash-flow

constraints. In 1991, Enron Corporation pioneered low-cost financing that included the use of volumetric production payments (VPP) by natural gas producers and end-users in return for instant financing from Enron's funding subsidiary. The innovation in the new instrument is that the financing is "secured by proved reserves, payments being made in the form of a fixed hedged volume of hydrocarbon (gas or oil) over a fixed period." The new financial instrument is non-traditional in the sense that it provides capital to firms that might not have had access to capital from traditional sources—debt and equity markets. The VPP instrument is essentially a form of securitization of hydrocarbon reserves, with hedging. This provides OPEC member countries with another viable alternative to privatization of their NOCs.

ROLE OF MULTILATERAL AND NATIONAL AGENCIES

Funding by multilateral agencies played an important role in financing oil and gas projects in developing countries in the past. The World Bank Group assisted developing countries with oil and gas development up to the early 1970s. But in the high oil price environment of the latter part of the 1970s and early 1980s, multilateral agencies' funding interest in developing countries shifted from oil and gas projects to other economic sectors. In the late 1980s, the World Bank began to promote the privatization of national oil and gas companies in developing and emerging economies. However, since the major multilateral and national agencies do underwrite sovereign risk, they can also facilitate investment in OPEC countries. The change in policy will merely reflect the transformation that OPEC, consuming countries, and the world oil and gas markets have undergone in nearly three decades.

Minor multilateral agencies and regional development banks and funds do not typically finance oil and gas projects, partly because of the huge investment needs. However, these financial institutions can assist OPEC countries by funding other infrastructure projects, thereby helping release domestic resources for oil and gas projects.

In this regard, the OPEC Fund must review its mandate, especially the exclusion of OPEC member countries from its list of eligible beneficiaries of development assistance. Admittedly, the incentive to open up the OPEC Fund's development assistance to the governments of member countries is very weak. Chief among the reasons for this weakness are: imbalance in the contributions of members, with Saudi Arabia and Kuwait bearing disproportionately large shares; the bitter experience of two costly wars involving four of OPEC's reserve-rich member countries in the Gulf; regional rivalry; and age-long mutual suspicion.

But innovative options exist for including member countries in the eligibility list. For example, to reduce the regional obstacles to providing some

loan assistance to member countries, the OPEC Fund could consider the private sector rather than governments for loan assistance. Such loans will have a commercial thrust, based on international market standards with an appropriate spread to reflect credit-related risk of the borrower. The proposed change would strengthen the OPEC Fund's desire to expand its private sector window for financing development projects. With a developed private sector window, the OPEC Fund can facilitate syndicated loans, involving regional development banks and international banks.

The policy change that is envisaged is substantive. It is also symbolic in the sense that it will signal the need to change the prejudices about OPEC that have become largely irrelevant. Furthermore, the rapid pace of globalization in capital markets will encourage partnerships among institutions that provide financing for development projects. These should be some of the elements of an effective international financial architecture.

With the major multilateral institutions playing an enabling role, the new financial system should reflect the key lessons of the recent East Asian crisis—that is, the systemic-risk effect on other countries and regions. The new system should identify and quantify the geopolitical risk that oil producers in the Gulf bear, essentially because massive deposits of a strategic natural resource lie within their national boundaries. Financial innovation in the new global system should address appropriately geopolitical and systemic risks, among others.

CONCLUSION

There seems to be a gap in the literature concerning the character of development financing in a redesigned international financial system. As with the emerging financial system, development financing should reflect the trends in economic globalization, financial innovation and consolidation, and the increasing irrelevance of ideological divides, such as among East-West and North-South countries. Furthermore, development financing should reflect the fundamental changes that occurred in the world oil and gas industry after 1974 and the objective role of OPEC in recent years.

The economic performance in all OPEC countries, except Indonesia, largely mirrors the behavior of the oil and gas sector. Oil price volatility often translated instantaneously into sharp fluctuations in foreign-exchange earnings and government revenues, with serious implications for macroeconomic management. Thus, the financing of oil and gas projects is a paradigm for development financing in the member countries' economies. OPEC countries are still far from achieving the goal of transforming their enormous hydrocarbon wealth into human and physical capital for sustainable economic development. To achieve their goal, member countries need to invest massively in oil and gas projects, beyond just maintaining and expanding produc-

tion capacity. Practically all member countries are financially strained. All of them face, in varying degrees, undue geopolitical risks that limit their access to external financial resources, under the existing international financial infrastructure. Moreover, all OPEC countries have experienced the "Dutch disease" at some time in the past, and one member country suffers an extreme form of the disease.[4] This being a "regional" epidemic, the Dutch disease deserves appropriate response from the custodians of international financial health.

The IMF, the World Bank Group, the OPEC Fund, and other multilateral and national agencies, including their investment guarantee and loan insurance branches, have a new or intensified role to play in the required response. An alternative financing for development in OPEC and other countries will entail cooperation and partnerships among countries and international financial institutions, and innovative funding arrangements. For the emerging international financial system to be truly innovative, its constituent parts as well as the way they are linked operationally must also be innovative.

To sum up, the OPEC member countries, through the OPEC Fund, have played a significant role in development financing to date. The Fund can play a greater role in the future. It can expand its private-sector window in both non-OPEC and OPEC countries, and increase its grant program as well as support for the development efforts of the UN, the IMF, and the World Bank Group. However, it should be emphasized that the Fund was established under the most optimistic assumption about the future trend in crude oil prices—that the upward pressure on prices during the 1970s would be sustained. The validity of that assumption was short-lived. Rather, OPEC countries have witnessed a low oil-price trend, volatile government revenue, and increasing budgetary strains since the 1980s. Their resources for domestic economic and social development are increasingly limited. Consequently, the OPEC Fund's potential for a significantly larger development financing is limited. The huge cost of the Gulf war—which is basically a part of the real cost of the region's vast hydrocarbon reserve and production—drastically reduced the foreign asset-base and the investment income of two of the three largest contributors to the Fund.

In light of the constraints highlighted above, and barring a repetition of the golden years of high oil prices, a significantly expanded program of development financing by the OPEC Fund seems unrealistic in the foreseeable future. However, a leveraged role by the Fund is feasible and desirable in a favorable international monetary and financial environment. In a globalizing economy, with increasingly integrated financial markets and institutions, no country or group of countries should be priced out of or shut off from the international financial market, for non-market reasons. Continued financial

innovation will ensure that there is a market for every type of risk. An integrated international financial system, supported by continued progress in information technology, will have substantial economies of scale to make the market for risk work well. In the desired system (paraphrasing the IMF's Managing Director, Michel Camdessus), "international resources *for development financing* will be put at the disposal of all needy countries at the lowest possible cost." ■

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NOTES

[1] There are at least 30 major multilateral, regional, or sub-regional development banks and funds. Of this number, about 10 are from the Middle East.

[2] The OPEC Fund's long-term track record contrasts sharply with Shireen Hunter's somewhat premature assessment, published barely six years after the agency was established (see References).

[3] Excluding the United Arab Emirates, all OPEC countries experience financial strains, as their current account balance, foreign asset draw-down, and increased borrowings in local and international financial markets show.

[4] The "Dutch disease" describes a condition when a country's traditional industries are declining or internationally uncompetitive because the discovery of natural resources has created a prosperous new industry.

Forging a Dynamic OAU Partnership for Development

BY YASSIN EL-AYOUTY, ESQ.

While many problems hinder intra-African development cooperation, there exists the institutional framework and the political will potentially to overcome them. The all-region African Economic Community and a linked network of five sub-regional economic communities cover all zones of the continent. The author believes that these groupings provide an organizational basis for building needed partnerships and promoting common development initiatives. Dr. El-Ayouty, a Special Counsel with the law firm of Spector & Feldman who has edited three books on the OAU, is also Adjunct Professor at the Cardozo School of Law in New York City, and Distinguished Visiting Professor at the Law Center of NOVA Southeastern University, Fort Lauderdale, Florida.

FROM ITS INCEPTION, the Organization of African Unity (OAU) has included a focus on continental partnership for development as a main sub-theme. The linkage between "unity" in OAU's name and development in its objectives is built into OAU's founding Charter, adopted in 1963. The preamble of the Charter expresses these twin roles of the organization: "to reinforce the links between our states by establishing and strengthening common institutions" and "to harness the natural and human resources of our continent for the total advancement of our peoples in all spheres of human endeavour". The same pairing occurs in Article II, paragraph 1 of the Charter concerning the purposes

of OAU: "(a) to promote the unity and solidarity of the African States"; and (b) "to co-ordinate and intensify their co-operation and efforts to achieve a better life for the peoples of Africa".[1]

To work for the achievement of these lofty goals of inter-African co-operation, the OAU Assembly established specialized commissions. As can be seen from their names, the Economic and Social Commission and the Educational, Scientific, Cultural and Health Commission cover a range of development issues.

However, as of now, the picture of inter-African co-operation for development through partnerships under the OAU does not convey dynamism. There are several external and internal reasons for this situation.

From the external standpoint, since the end of the Cold War, Africa has found itself marginalized. The super-powers' scramble for Africa's affection through the massive infusion of foreign aid and investment lost its momentum because its ideological engine had sputtered to a halt. In a unipolar world, the energies of the donor countries shifted northward to assist the newly restored sovereignties in Eastern, Central and Southern Europe, where privatization and democratization appeared very promising.

Internally in Africa, the civil wars, abuse of human rights, ethnic strife, massive refugee problems, and the prevalence of military rule and corruption vastly compounded the issues of a weak infrastructure, declining export earnings and crushing foreign debts whose servicing those developing economies could ill afford.

The irony is that a vast continent, rich in both human and natural resources, lacked overall the good governance, trained cadres, disciplined management, and imaginative economic and social planning which would place Africa on the road to purposeful and systemic development. Even the North-South economic and social alliances with former metropolitan powers, represented by associate membership in the newly integrated markets of some of the members of the European Union, could not fulfil the continent's expectations. Its needs outstrip the meagre assistance which is linked to associate membership in those northern markets.

The super-powers' scramble for Africa's affection lost its momentum because its ideological engine has sputtered to a halt.

INSTITUTIONAL FRAMEWORK IS THE HOPE

Despite all these problems, there are reasons for optimism and there is substantial potential for overcoming them in due course. One important potential is the institutional frameworks which exist in the continent and which can be the bases for forging a dynamic OAU partnership for development. Such frameworks are underpinned by a pervasive

political will, at least among the African elites, to catch up with the rest of the world in various fields of endeavour. While this political will cannot be accurately assessed, the institutional and contractual frameworks can be presented in the context of the quest for dynamic partnerships.

Under the general umbrella of the OAU, the African Economic Community (AEC) is the most important contractual framework for intra-African partnership for development. Established by the Abuja (Nigeria) Treaty of June 3, 1991, it is headquartered with the OAU in Addis Ababa, Ethiopia. The Treaty conceived of AEC as an integral part of OAU and as vital for its success; the preamble of the Treaty declares this in fundamental terms: "the economic integration of the Continent is a prerequisite for the realization of the objectives of the OAU".[2]

A wide-ranging mandate is set out in the AEC Treaty. It establishes a Customs Union and aims at liberalization of trade. It provides for the free movement of persons and rights of residence and establishment. It deals with monetary, financial and payment policies. Under various chapters, the Treaty covers the issues of food, agriculture, industry, science, technology, national resources, environment, transport, communication, education, social affairs, health and population. Women's strong role in development is recognized. There are special provisions for the least developed and land-locked countries, settlement of disputes, and AEC's relationships with African non-governmental organizations, other regional economic communities, sub-regional organizations and international organizations.

Special mention should be made here of two provisions in the Treaty which have impact on intra-African development cooperation:

- the strengthening of regional economic communities (chapter IV). There are sub-regional organizations in each of the five main geographic zones of Africa. Their linkages with AEC can be the keystone for building greater development cooperation all across the continent, as discussed in more detail below.
- the harmonization of policies. As provided in chapter XIV, the African Member States agree to consult with one another, through appropriate community organs, for the purpose of the efficient functioning and development of the community and for the implementation of the provisions of this Treaty. The background and issues involved in harmonization are also further discussed below.

REGIONAL ECONOMIC COMMUNITIES

An OAU document states that African States have comprehended the imperative need to come together by the establishing of several intergovernmental co-

operation organizations in all areas and at all levels. Prior to the creation of the AEC, Africa had already established a sub-regional organization in each of five main geographic zones between 1964 and 1980:

- Arab Maghreb Union (UMA) for North Africa, but not including Egypt for now
- Economic Community of West African States (ECOWAS)
- Economic Community of Central African States (ECCAS)
- Common Market for Eastern and Southern Africa (COMESA)
- Southern African Development Community (SADC).

In the ensemble, these five regional economic communities (or RECs) provide the potential institutional pillars for an effective AEC. Naturally, they vary in their cohesiveness and dynamism, with ECOWAS and SADC being the trail- blazers in this regard. Strengthening of their individual capacities, as well as their mutual links among themselves and with AEC, would be consistent with and supportive of the main objective of the AEC. As shown in the OAU literature and oral interviews, the AEC Treaty's main objective is to promote south-south co-operation and regional integration within Africa, as well as interregional cooperation.[3] These OAU/AEC-sponsored partnerships focus on the promotion of African development in industry, agriculture, trade, science and technology, and infrastructure. Construction of trans-continental road links among all five African sub-regions is a special emphasis. AEC has been working to strengthen the all-Africa framework for economic and social revitalization by drawing on experts on integration and by enhancing its conflict resolution mechanism (see next section).

Cooperation, development and integration were clearly in the minds of the ministerial meeting of June 1996, which reflected on the primary purposes of the AEC five years after its establishment. As the Ministers summed up the Abuja Treaty, its objectives are:

- to promote economic, social and cultural development and the integration of African economies, in order to increase economic self-reliance and promote an indigenous and self-sustained development;
- to establish, on a continental scale, a framework for the development, mobilization and utilization of the human and material resources of Africa, in order to achieve a self-reliant development;
- to promote cooperation and development in all fields of human endeavour, in order to raise the standard of living of African Peoples, and maintain and enhance economic stability, foster close and peaceful relations among Member States and contribute to the progress, development and economic integration of the Continent.

The following statistical table gives basic facts on the five sub-regional economic communities in Africa. These data serve to illustrate the potential power of partnerships for African economic integration, if the institutional frameworks of those entities functioning in tandem with AEC were to carry out their respective missions effectively.

The variables and similarities between these five regions offer substantial opportunities for both complementarity and integration which are among the primary characteristics of dynamic partnerships. Examples drawn from that table would be indicative of these possibilities. Though COMESA has the largest population, it has the lowest per capita GDP. The lowest import/export values are those of ECCAS, in spite of the existence of important and diversified raw materials. Four of the five sub-regions have oil, but only one of them has natural gas. Phosphates, an important element in aluminium, is extracted in the North and West, and diamonds are mined in the East and South. All the sub-regions produce iron, and only the Centre produces uranium. The Centre, the East and South are endowed with hydropower, but only the southern region boasts chromium.

The table does not include the value of south-south trade in Africa, but the variables among the five sub-regions create nearly endless possibilities for productive trade partnerships across the OAU region.

REGIONAL POLICY HARMONIZATION

What makes the African Economic Community unique among regional eco-

BASIC FACTS ON FIVE AFRICAN SUB-REGIONAL COMMUNITIES (AS OF 1994)

Basic Facts	UMA (North)	ECOWAS (West)	ECCAS (Centre)	COMESA (East-South)	SADC (Southern)
Area (sq km):	5,784,000	6,142,000	5,419,000	12,159,668	6,108,000
Population:	67 million	180 million	77.8 million	279 million	112.3 million
Total GDP:	$US122 billion	$US67 billion	$US31.6 billion	$US3.6 billion	US$151.1 billion
Per Capita GDP:	$US1,820	$US372	$US406	$US300	$US1,345
Exports Value:	$US31.2 billion	$US20.3 billion	$US4.0 billion	$US12 billion	$US41.3 billion
Imports Value:	$US29 billion	$US17.7 billion	$US4.9 billion	$US15 billion	$US29.7 billion
Natural Resources:	Oil, natural gas, phosphates, copper, iron	Petroleum, phosphates, copper, iron, bauxite	Petroleum, timber, manganese, iron, uranium, bauxite, copper, hydropower	Copper, coal, hydropower, iron, forest products, diamonds	Petroleum, diamonds, coal, iron, chromium

nomic structures is that its supreme organ, the Assembly, is composed of the Heads of State and Government, which is the same as with the OAU itself. In addition, AEC's Council is the same as the OAU Council. This feature reflects the great importance which Africa attaches to its institutional structures for economic integration, where vital decisions are entrusted to the summit of African governance. It also creates a natural forum for top-level harmonization of policies.

Another harmonization potential is in the machinery for the settlement of disputes within the AEC. The community has a Court of Justice which is independent of Member States and other organs of the Community. It ensures the respect of law in the interpretation and application of the provisions of the Treaty and makes rulings that are binding on Member States and the organs of the Community. Member States, the Assembly and the Council may refer issues to the Court.

It is also significant that both the U.N. Economic Commission for Africa (ECA) and the African Development Bank (ADB) collaborated with the OAU/AEC General Secretariat in initiating the implementation of the Treaty of the AEC following its signature and ratification. Starting out together in that way helped to create a space for these three all-Africa bodies to work together in compatible directions, each in its mandated way.

However, the pace has been slow in getting these institutional frameworks to produce the results for which they are created, as evidenced in OAU literature. For example, the AEC's Economic and Social Commission did not hold its first ordinary session until 1996. Refreshingly, the problem was stated in a blunt manner in an AEC experts' report which pushed for the convening of that Commission. The report noted that "slow progress" had been registered, that there was a "need to give clear direction and guidance to the implementation process.

It comes as no surprise that the multiplicity of institutions engaged in the same process of development should produce problems of co-ordination and implementation, especially in a continent which is lacking in trained cadres and available financial resources. This assessment is backed up by what the AEC experts told the AEC Ministers in June 1996 about the need to pay more attention to the regional economic communities and to harmonize AEC work with them. The experts wrote about the priority accorded in the Treaty to strengthening the existing regional economic communities and, within a period not exceeding five years from the date of entry into force of the Treaty, establishing economic communities in regions where they do not exist. This is the first stage in the modality established for the implementation process. Arising from this first concern is the fact that, though the regional economic communities

(RECs) participated in the work on protocols of various bodies, their views were rather crowded out or marginalized by those of member states. At the same time, parallel work on preparation of protocols was being undertaken in each REC with no visible linkage to the work of all the RECs as a group.

At the wider dimension, support from international organizations, especially the World Bank and the United Nations Development Programme, is a vital ingredient for enhancing OAU's role in the process of African integration. Such international aid is vital if Africa is to overcome its present marginalization represented by the loss of international aid diverted over the last ten years to the newly restored sovereignties in Europe and Asia.

In the formulation of policies regarding co-operation, integration and sustainable development, OAU has accorded an important role to African experts. This holds the promise of contributing to the building of a wider consensus and stronger commitment within the continent regarding common needs and shared initiatives.

An example of this role and its positive outcome is the Monrovia Symposium of February 1979. In preparation for that event, the OAU Secretary-General invited some forty African experts to analyze the Future Development Prospects of Africa by the Year 2000. Their work led the symposium to review the situation of numerous social crises, high infant mortality, violent deaths of all kinds, economic stagnation resulting from poor performance or failure of development strategies adopted by most African states. The participants concerned themselves with measures in the area of planning and employment, food, exploitation of natural resources, transport and communications, and international monetary co-operation. The Monrovia Strategy was endorsed by the OAU Assembly of Heads of State and Government in July 1979, calling the African experts' findings "the Declaration of Commitment". A year later, the Lagos Plan of Action and the Lagos Final Act followed, with the specific purpose of channelling the huge resources of Africa towards the satisfaction of the needs, purposes and aspirations of its people. Eleven years later, the AEC was established by the Abuja Treaty, as discussed above.

THE QUESTION OF SOVEREIGNTY

Even if the problems of trained personnel and adequate budgets could be mitigated, the institutional fabric for dynamic African partnership within the OAU would still be hampered by another factor: the reluctance of the African states to surrender national sovereignty for the good of the African group as a whole. This was again stated categorically by the African experts in June 1996 in the following words:

- Politically, the RECs should be empowered to make decisions that are binding on and respected by

all members. This calls for a gradual surrender of national sovereignty on matters pertaining to economic integration, once the member states recognize integration not as a matter of convenience, but as an imperative necessity on which their future survival depends. The strengthening of RECs, therefore, should be understood as greater commitment by the member states to supporting these communities directly.

- The African Economic Community being at the apex, as the umbrella organization, should serve as a forum to persuade all member states to fulfill their commitment to the respective RECs. The AEC should be fully equipped to work with the RECs in identifying and addressing their needs so as to ensure that all activities and programmes of the RECs are geared to the achievement of continental integration.[4]

For newly independent countries, such as the majority of African states, sovereignty once restored is hard to give up. Even in the evolution of the European Union (EU), whose membership did not suffer deprivation of self-rule under foreign domination since the Peace of Westphalia in the 17th century, member countries strongly resisted interference in their internal jurisdictions by EU headquarters in Brussels.

Co-prosperity invariably requires giving up a part of the sovereignty of the individual components, and it takes vision and practice to be able to do this. If Africa has the vision to create these institutions for developmental partnerships, it should, through practice and mutual accommodation, acquire the habit of surrendering sovereignty for the sake of the common good of the entire continent. There needs to be a spirit of readiness to look on sovereignty not as a static quantum, but as a vehicle for dynamic progress through institutionalized partnerships. There are reasons to hope that Africa, in due course, would rise to the challenge of sovereignty surrender—in effect, sovereignty-pooling—as its institutional framework for integration matures.

Member States should recognize integration not as a matter of convenience, but as an imperative necessity on which their future survival depends.

The Treaty establishing the African Economic Community is not the first commitment African governments have entered within the framework of the OAU. But it is the greatest test of Africa's seriousness with itself and its future generation. The basic difference between Africa and the countries of Asia, which in the early 1960s were generally at the same level of develop-

ment as African countries, is the issue of leadership and its attitude to development, its seriousness and vision. What is required for the successful implementation of the AEC Treaty is a change of attitude by African governments. Positive attitudes and actions by governments would have the capacity to permeate and activate the whole society—the entire public and private sector, the economic operators, business and professional associations, the trade unions, student bodies, etc. It is a serious concern that some important African countries have not yet signed or ratified the AEC Treaty. Seen from this perspective, the spirit of Pan-Africanism is showing signs of cracks and decay.

The African Economic Community is the greatest test of Africa's seriousness with itself and its future generation.

LOOKING AT OTHER REGIONS

A number of endemic problems confront efforts to enhance African partnership in the OAU context. The issues of a weak infrastructure, paucity of foreign aid, enfeeblement of democratic institutions in their role as bases for political development, the crushing burden of foreign debts and the intra-African state conflicts combine to make the task of African economic integration daunting.

In the light of these circumstances, Africa's attempts to look to both the Western European region and the Asian region for inspiration and possible guidance from their experience are to be welcomed. For example, Japan and Africa have joined in a promising partnership for development in the Tokyo International Conference on African Development (TICAD). Its first and second preparatory committees were held in Dakar, Senegal, in March 1998, and in Harare, Zimbabwe, in June 1998. The proposed message of TICAD is the revitalization of poverty alleviation and strengthening Africa's participation in the global economy."[5] The TICAD agenda spans the entire developmental spectrum—social development, private-sector development, agriculture and the environment, governance, conflict and peace as they affect development, and external debt.

Eight African countries attended the March 1998 meeting: Cameroon, Egypt, Ethiopia, Mozambique, Nigeria, Senegal, South Africa and Tanzania. Two Asian countries, Indonesia and Thailand, also attended. The donor countries represented were Canada, France, Sweden, UK and USA, in addition to Japan. The list of international organizations consisted of the African Development Bank, the European Community, the UN Economic Commission for Africa, the World Bank, the IMF and the OAU. Aside from the governments of Japan and Senegal, the co-organizers included

three UNDP units—namely, the Regional Bureau for Africa, the Regional Bureau for Asia and the Pacific, and the Special Unit for Technical Co-operation among Developing Countries (TCDC).

This listing shows the broader global involvement in the evolution of Africa's march toward purposeful partnership. The basic concept of the TICAD Agenda for Action was anchored in "global partnership". This globalization of the approach to partnership was also reflected in the adoption by TICAD of "the Cairo Agenda for Action" of the 1990s, which focuses on the concept of sustainable development as reflecting "African priorities".

In conclusion, it should be stated that Africa possesses the institutional framework within the OAU and the African Economic Community for the evolution of dynamic partnership. The major problem lies in effectively making this framework credible through realistic planning and disciplined implementation by the collectivity of African States and with the support of the international community. The African journey towards that objective is long and arduous. But that journey is bound to reach its destination provided that, in the new millennium, the world looks upon Africa's striving for sustainable development as an integral part of global development. ■

NOTES

[1] OAU Charter and Rules of Procedure (Addis Ababa, Ethiopia: Press and Information Service of the OAU Secretariat, August 1992). Preamble and Article II.

[2] Treaty Establishing the African Economic Community (hereafter cited as the AEC Treaty). Preamble.

[3] The author is particularly grateful to Dr. R. Omotayo Olaniyan, of the OAU Mission to the UN, New York City, for a very insightful interview conducted with him on November 2, 1999, in the course of preparing this text.

[4] Introduction to AEC/ECOSOC 3 (1) entitled "Strategy and Approach to the Implementation of the Treaty Establishing the African Economic Community", issued by the Economic and Social Commission of the AEC, for the purpose of the Ministerial meeting held in Addis Ababa on June 11 and 12, 1996.

[5] Paper on TICAD, the First Preparatory Committee Meeting, March 2-3, 1998, Dakar, Senegal, Co-chairman's summary, p. 1.

Technical Cooperation Needs for Hemispheric Trade Negotiations

BY SIDNEY WEINTRAUB

How to trace the interactions of trade negotiations with development needs, organize and manage a country's negotiating role, and master the complexities of specific trade issues under negotiation? Such tasks are difficult for developing countries with large economies and trade-negotiating experience, and even more so for smaller economies. They become still more challenging when the negotiations cover such fast-changing fields as telecommunications and bring in all the countries in the Western Hemisphere. Sidney Weintraub, consultant to Executive Secretariat for Integral Development of the Organization of American States, discusses how technical cooperation can help.

BACKGROUND

There is clear agreement that smaller economies in Latin America and the Caribbean (LAC) need technical assistance if they are to get the most out of the negotiations for a Free Trade Area of the Americas (FTAA). Countries with larger economies can also benefit from such assistance. The need is recognized in documents of the Organization of American States (OAS), the Inter-American Development Bank (IDB), and the UN Economic Commission for Latin America and the Caribbean (ECLAC). This paper examines the demand for such assistance, as seen in personal experience with trade negotiations and development assistance, in documents of many agencies that provide technical assistance, and in inter-

views with experts familiar with trade negotiations in general and the FTAA process in particular.

ORGANIZING FRAMEWORK

A large network of assistance providers could help countries with small economies to engage profitably in comprehensive trade negotiations, although the training offered may not always meet the needs. The main complicating factor is the vast scope of the FTAA endeavor.

To the uninitiated, a "trade" negotiation has the ring of a limited venture. But in fact it goes to the heart of development policy. Hardly an aspect of national development is completely divorced from trade policy—the country's macroeconomic framework, exchange-rate policy, handling of capital inflows, tax structure, infrastructure needs, education of the work force, assessment of existing and potential comparative advantages, keeping up with exploding technology, and the effectiveness of the judicial system for dealing with trade and investment disputes.

Many countries need to develop their information-gathering capacity so as to be able to evaluate the effects on their economic fortunes of trade concessions given and received.They need data on how much is being imported, from where, the impacts on domestic ventures, and potential export markets. Many data are now gathered sporadically and often erroneously.

The best way to learn about the dynamics of trade negotiation is from actual experience, as shown in the ongoing FTAA exercise. Many small countries have had little opportunity for this learning-by-negotiating and have a limited cadre of experienced negotiators. The slow pace of the operation at the outset, the formation of working groups, the repeated gathering of players from around the hemisphere, and the discussion and debates thus generated have taught neophyte negotiators a great deal about what is involved. This learning experience presumably will continue until the hard, specific negotiating begins, sector by sector and item by item.

"Trade" negotiation has the ring of a limited venture. But in fact it goes to the heart of development policy. Hardly an aspect of national development is completely divorced from trade policy.

The training task relates not just to the up-front negotiators, but also to their backstopping in capitals. A negotiator cannot be knowledgeable in all technical areas and must rely on experts back home. This involves analysis of the benefits for the country of the offers made and the requests it should make. Acquiring and maintaining this expertise is becoming increasingly complex

when changes occur at what seems the speed of light in such fields as as information technology, telecommunications, and financial services.

Because the needs are vast, it is impossible for small countries with limited financial and human resources to cover all issues. So countries have to set priorities, make judgments about their most vital needs, and concentrate on them. Technical assistance can help small countries winnow the significant from the largely irrelevant universe that confronts them. Of course, the precise needs will depend on each country's own assessment of its situation.

The enormity of the task requires some organizing structure to lay out the needs for technical assistance for the LAC countries. As shown in Figure 1, this organizing structure addresses three key questions:

- What are the key *development* needs that must be stressed to get the maximum benefit from a comprehensive negotiation that will lead to hemispheric free trade?
- What are the *overall negotiating* needs?
- Finally, what are the needs in the *specific negotiating* and consultative groups that have been established?

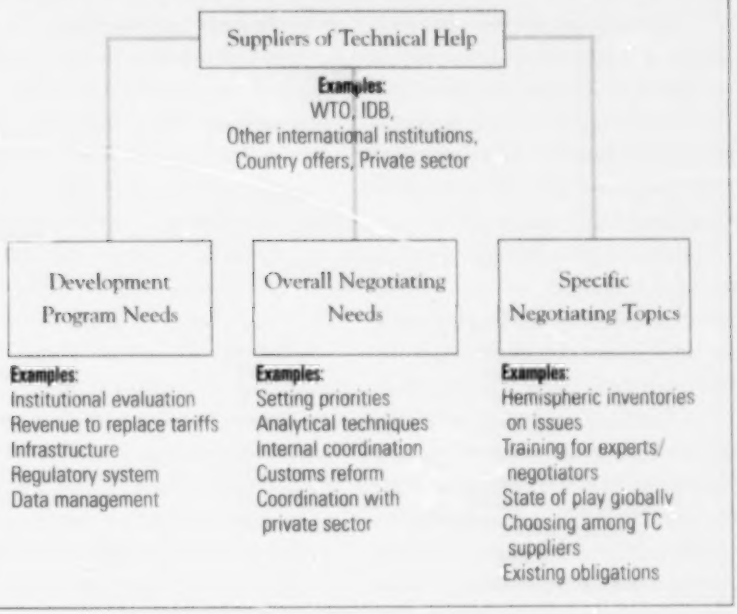
DEVELOPMENT PROGRAM NEEDS

Providers of assistance and training to help the LAC countries get ready for free-trade negotiations should include not just international trade agencies, but also institutions more directly concerned with overall national development. In addition, the persons being trained should not come exclusively from trade agencies.

This requirement has already been recognized at the hemispheric and international level. The IDB has a proposed line of credit for sectoral investment and technical cooperation for trade development which envisages assistance for institutional evaluation and diagnosis, as well as training for trade negotiations. This line of credit would be extended on a fast-track basis and be reimbursable. The diagnosis would include evaluation of the capacity (human and financial) of national institutions; the interaction among national institutions and between them and the private sector; examination of information systems in the country; and mechanisms to support trade development and diversification. While the specific line of credit is not yet operational, a number of countries have expressed interest in using regular IDB credits for the same purposes (see Figure 1). These countries include, as this is written, Argentina, Bolivia, Colombia, the Dominican Republic, and Uruguay. The design of the activities in each program will entail different levels of sophistication depending on the development situation of the country.

A combination of developmental, institutional, evaluative, and negotiating elements are incorporated in an ongoing IDB grant project to encourage

Figure 1—FRAMEWORK FOR TECHNICAL COOPERATION (TC) FOR HEMISPHERIC TRADE NEGOTIATIONS



Paraguay to participate more effectively in international trade negotiations. Among its objectives, the project trains nationals to set priorities for different aspects of trade negotiations, develop technical data bases, improve information dissemination and coordination among internal players, public and private, and train the trainers. The Paraguay project (TC-96-10-503) will extend over two years, whereas technical cooperation (TC) programs for trade of other institutions are short-term, from days to a few weeks. The IDB trade-related assistance program is clearly more ambitious.

Six international agencies have established an integrated framework to supply TC in trade. It includes three trade-related institutions: the WTO, the United Nations Conference on Trade and Development (UNCTAD), and the International Trade Center (ITC). In addition, it includes three financial/development institutions: the World Bank, the International Monetary Fund (IMF), and the United Nations Development Program (UNDP). Its program includes institution building to handle trade issues, development of "think-tank" capacity, seeking more effective coordination among relevant govern-

ment departments, and creating a regulatory and policy framework to encourage trade and investment. The integrated framework is intended to train officials in the least-developed countries and does not, therefore, include most of the LAC area. However, it envisages many elements similar to the proposed IDB credit line, although it is not as comprehensive or long term.The trade-related institutions, international and national, that engage in TC to enable developing countries to participate in trade negotiations quite naturally emphasize direct trade aspects. These include training nationals of the countries to negotiate, to analyze key sectors involved in the negotiations, to evaluate the impact of trade proposals, and to examine national laws and regulations that impinge on trade. Linkages between these institutions and national development programs, whether explicit (as in the integrated framework) or informal, are essential for a number of tasks. The IDB line of credit is noteworthy because it places responsibility for trade-related assistance directly in a development agency. Some trade issues which require participation by development agencies are as follows:

- Many LAC countries rely on tariff revenues to finance large segments of their budgets. Under FTAA, these revenues from intra-hemispheric trade will diminish during a transition period and then disappear. Assistance is needed in devising alternative revenue-raising (tax) programs.
- Development policies that emphasize export growth are now the norm throughout the LAC region and require improved infrastructure and marketing facilities. Much funding for these needs will have to come from international development banks, and their participation in the TC program for the FTAA is therefore highly desirable.
- A number of LAC countries seeking trade assistance may have a comparative advantage for increasing the role of tourism as a foreign-exchange earner. To achieve this requires development of roads, airports, seaports, food supplies, health facilities, trained personnel, and more—and these needs should be considered alongside other trade-related issues.
- Suppliers of trade-related technical assistance often include training on devising or altering a regulatory structure to encourage trade and investment. However, the structure must extend to the encouragement of national development, which is not separable from trade outcomes.
- Investors are reluctant to risk their resources in countries with inadequate judicial structures, and many countries need assistance in this field. This surely is desirable in its own right.

- Efficient systems to obtain and manage data are essential for effective trade negotiation and to monitor trade developments, and offers of technical assistance for trade generally include this need. Many LAC countries need assistance for both hardware (computers) and software. These information management needs extend well beyond the trade area and should be considered in thinking about national development programs.

This is not a complete list of LAC needs for TC for national development programs that grow out of trade discussions. However, it makes clear that trade and trade-related TC by its very nature requires complementary assistance in related development fields, if the exercise is to be fruitful.

Efficient systems to obtain and manage data are essential for effective trade negotiation and to monitor trade developments.

OVERALL NEGOTIATING NEEDS

In February 1997, the Working Group on Smaller Economies (WGSE) identified country-by-country needs for technical assistance in the FTAA process. Several overall TC objectives (as distinct from specific negotiating requirements) show up repeatedly. These include training of officials to reform the customs service, revise the tariff structure, strengthen export promotion and simplify export procedures, and develop or improve computerized information systems.

It is not necessarily easy to meet these basic needs because entrenched interests in existing customs services are reluctant to change old habits, let alone give up opportunities for illicit enrichment that might exist. A reorganized tariff structure is not just an administrative task, but a significant policy action. A less scattered structure of tariff rates or a drastic tariff reduction in the context of a trade negotiation may adversely affect many powerful interests.

In smaller economies the most urgent TC requirements often deal with institution building. Customs services are not the only institutions that may need reform; in fact, customs operations can be obtained by hiring private companies, as many smaller countries do. Personnel from trade ministries, which generally carry out the trade negotiations and then keep track of the resulting outcomes, need training. So, too, do officials from other agencies involved in activities that are part of modern trade negotiations; these cover such areas as investment, anti-monopoly measures, dispute settlement, the drafting of regulations, government procurement, complex sectors such as telecommunications and information technology, and so on.

As shown in this listing and in interviews conducted for this article, cross-agency coordination is perhaps the

biggest weakness in many countries engaged in trade negotiations and in carrying out resulting obligations. This shortcoming can affect countries with large or small economies and may be the most crucial institutional need for TCDC to address. Interviews and documentation used in preparing this report show that a host of pre-negotiation requirements cannot be met satisfactorily in many hemispheric countries without TC. Some specific needs which stand out are the following:

- Countries must establish negotiating priorities based on their national endowments and export opportunities.
- Small economies with limited human resources and negotiating leverage must decide which issues to concentrate on and which should get less attention because the outcomes will have little effect on their economies.
- They must know in some detail the obligations they already have undertaken in prior negotiations, whether bilaterally, sub-regionally, or in the WTO.
- They must determine whether they are complying with existing obligations before they take on new ones.

Meeting this brief list of pre-negotiation requirements involves considerable introspection in countries. It means confronting internal political, economic, and legal issues: who benefits from the priorities selected; what internal monopolies may exist that impede carrying out past obligations or taking on new ones; what laws and regulations may have to be altered and how likely is it that these changes can be made; who are the losers as border protection declines.

Cross-agency coordination is perhaps the biggest weakness in many countries engaged in trade negotiations and in carrying out resulting obligations.

Opportunities exist to meet most of the training demands discussed here, though it less clear whether the depth of most current training is adequate. Countries themselves must set policy and determine the internal political limits that exist, but assistance can help make such determinations more professional. The WTO has a range of seminars, workshops, technical missions, briefings, legal assistance, and TC in specific areas and general policy, and there is financing for this TC to a large extent. UNCTAD offers TC to help developing countries analyze policy options, formulate and implement trade-policy decisions, understand the trade policies of industrial countries and how these affect developing countries, and adapt national trade laws and institutions to meet international obligations. Here, too, financing is generally available. Many bilateral pro-

grams also provide this kind of pre-negotiation assistance. Officials from developing countries are sometimes unaware of TC opportunities and how to access the financing being offered. These problems should be reduced as the supply inventory is completed and updated.

Training in negotiation itself is the pre-negotiation TC need most often mentioned by officials from countries with small economies who have limited trade-negotiation experience, especially in such wide-ranging negotiation as the FTAA. Some training is feasible and can help, but experience is surely the best teacher—learning from the very process itself. Much of the TC will have to be in specific aspects of the FTAA negotiating groups, and this may best be provided to experts or technicians who advise the negotiators.

What is most needed in the current stage of the FTAA is to identify these technical needs according to each country's definition of priorities. Inexperienced negotiators and their technical counterparts can get a reasonable idea of what they must know from looking at patterns in existing sub-regional agreements, such as NAFTA and MERCOSUR. FTAA will not be a carbon copy of these agreements, but they are good models of what is involved in the negotiations.

SPECIFIC NEEDS

The main TC response to the development program needs and overall negotiating needs described above is "training" to empower individuals to be more effective in negotiations over a longer period. For immediate specific needs, however, the appropriate response is "technical assistance" for analyzing and acting on individual issues in FTAA intergovernmental preparations and direct negotiations. There are certain TC needs which cut across all negotiating groups, and other needs arise specifically for each negotiating group established for the FTAA.

Much public discussion about FTAA focuses on the negotiating difficulties stemming from the lack of presidential fast-track authority in the United States, the desire of Brazil to widen free trade in South America before moving full speed ahead on hemispheric free trade, and the current economic uncertainty in Brazil and its possible effects on other LAC countries. While such commentary is legitimate, it ignores the very nature of this historic effort in hemisphere affairs. There have been other proposals in the past in favor of hemispheric unity. But these have been either appeals for hemispheric solidarity in the spirit of Simón Bolívar, despite the forces which pull countries apart, or efforts to achieve hegemony such as the United States' calls for hemispheric free trade in the last century. This time, when the hemispheric free-trade proposal was made, it was seen immediately as constructive, and two summit meetings of heads of state and government ratified the proposal as being feasible.

There are two reasons for the change in attitude: development policy in LAC

has changed to emphasize the promotion of exports; and the country making the hemispheric free-trade proposal, the United States, is the most important market for LAC exports. The FTAA negotiations are taking place in a world of growing economic integration, as is evident in Western Europe and sub-regionally in the LAC area. A single free-trade undertaking in the Western Hemisphere would arrest the trend toward separate sub-regional arrangements, which complicate trade policies even as they augment trade among their members. A hemisphere of a single open market at a time when almost all the countries advocate export expansion is a worthy objective, and this explains why it has garnered so much support in the entire region.

In past trade rounds, particularly those at global level, negotiations were essentially among major industrial powers—the United States, the European Union, and Japan. Smaller economies had little say about the end results, but this time they are part of the process. Technical cooperation is designed to make them more effective in this role and not to exclude them. The negotiations represent a significant opportunity for them and for the hemisphere as a whole. It is this point—and not the negotiating complexities—that deserves most emphasis.

Some cross-cutting negotiating issues

Many preliminary negotiating matters have been and are being attended to. As shown in the table below, the three Tripartite Committee institutions supporting the FTAA negotiations have pulled together or are updating a number of inventories on trade related issues, and studies have been requested on other issues. As a result, most countries of the hemisphere are already better equipped for their participation in this negotiation, despite its large scope, than they were for past negotiations.

Other aspects cut across all the negotiating groups, some of which could benefit from TC. These include the following:

Private sector consultations. All developed countries have organized arrangements for trade negotiators to consult regularly with the private sector, both generally and specifically, about what private business wants to obtain and to protect in the negotiations. This is required by statute in the United States. The Mexican authorities built up an elaborate sectoral structure to do this in the NAFTA negotiations. Guidance on how to best carry out substantive interchanges between the trade negotiators and interested private-sector groups should be part of the TC effort.

Lead negotiator. Normal practice in most countries is to designate a lead person for the conduct of negotiations. Positions on sectoral and functional matters all pass through this lead negotiator, who also must assure proper inter-agency coordination back home. Personnel from different agencies may take the lead in specific negotiating groups—

treasury for financial issues, agriculture in its field, justice on competition issues, and so on—but under general supervision of the lead negotiator. The relevant TC in this instance would be on the organization of negotiating teams for the FTAA. (When the team consists of one person, this obviously is not relevant.)

Evolving negotiating positions. In organizing for the down-to-earth bargaining, countries must formulate their positions, negotiating group by negotiating group. Practiced negotiators think not only about opening positions, but also about the end game. The starting points will be modified in the course of the negotiations, and a major aspect of any negotiation is to understand the limits of compromise for the country, and to understand what changes in laws and regulations may be required at that point. This TC closely relates to assistance in formulating the role of the trade negotiation in accomplishing broader development objectives.

Flexibility for smaller economies. It is unlikely, by the nature of hemispheric negotiation, that the more developed countries will provide explicit tariff or nontariff preferences to countries that are less developed. The main area of flexibility to favor countries with smaller economies will be the transition to free trade—different time frames for transitions, the exceptions to free trade permitted during that period, discrimination that may be inherent during the transition as a result of existing preferences in subregional arrangements, and related issues. Smaller economies, and perhaps some larger ones as well, will need guidance in this significant area.

Trade remedies. The question of trade remedies will concern all participating countries in each negotiating group. International institutions dedicated to trade

PREPARATORY STEPS PRIOR TO NEGOTIATION

Inventories on:

- Structure and nature of tariff schedules
- Trade impediments in agriculture (tariffs, nontariff measures, and subsidies)
- Sanitary and phytosanitary standards
- Antidumping and countervailing duties
- Investment policies
- National laws and regulations on competition policy
- Measures affecting trade in services
- Government procurement procedures

Studies requested on:

- Effects of economic integration on small and medium enterprises (SMEs)
- Fiscal dependence and trade liberalization
- Relationship between trade and financial liberalization
- Significance of financial issues for smaller countries
- Implications of growing electronic commerce for different countries

issues—mainly the WTO—have considerable expertise in this area and can advise on how countries have exercised trade remedies and what is consistent (or inconsistent) with the obligations undertaken.

Worker rights and environment. The participating countries have agreed to renew their commitments to observe internationally recognized worker rights and to make their trade liberalization and environmental policies mutually supportive. Precisely how to link these issues is controversial, and resolving countries' differing viewpoints is probably impossible. Nevertheless, it is important that countries be aware of the range of views on these issues. Perhaps public and private, national and international organizations which have experience in managing the different viewpoints can share it with negotiators who do not.

Individual negotiating groups

In nine negotiating groups set up for the FTAA negotations, there are needs and possibilities for technical cooperation, as follows.

Market access. If any negotiating group can be singled out for its overall importance for the FTAA negotiations, it is the Negotiating Group on Market Access (NGMA). The elements it covers include tariffs and nontariff measures; customs procedures; rules of origin; and standards and technical barriers to trade. These are the most important areas for which many hemispheric countries must upgrade their computer equipment, master information management, establish data bases, and learn how to evaluate the effects of the trade negotiations on their overall economic development and on trade and investment in those areas most important for their economies.

NGMA's report on its second meeting referred to updating the hemispheric data base; the method and timetables for tariff elimination and the approach to tariff elimination; identification of other measures that affect applied tariffs, such as customs surcharges and other fees; the identification and analysis of special regimes; notifications of customs procedures applied under preferential subregional agreements; safeguarding of regimes under these preferential, subregional agreements; identification of nontariff measures subject to negotiation; elements of the rules of origin; and identification and elimination of unnecessary technical barriers to trade. One way to deal with standards and technical regulations is to devise mutual recognition agreements (MRAs) in the Western Hemisphere.[1]

The central objective of a free-trade negotiation is to identify and eliminate barriers to trade, particularly those implemented at the border (like tariffs and similar measures), and to specify when products are eligible for preferential, free-trade treatment (rules of origin). It is in precisely these areas, plus the use of allegedly technical standards to keep out competitive foreign goods, that most trade negotiation concen-

trates and NGMA must deal. A program of TC can be very valuable in such highly technical areas.

TC on market access issues is available from many international institutions, including workshops offered by the IDB through the Instituto para la Integración de América Latina y el Caribe (INTAL). INTAL also organizes courses in Tegucigalpa for Central American countries, including Belize and Panama, sponsored by the IDB and the Central American Bank for Economic Integration.

As a rule, these training sessions can only scratch the surface of the complex issues. In addition, considerable learning on market access themes occurred in the former working groups and now takes place in the negotiating groups for FTAA. The NGMA will have to rely heavily on the technical analyses requested from the Tripartite Committee. Individual countries with limited negotiating personnel may need to hire outside consultants experienced in the technicalities of rules of origin, setting of standards, mutual recognition agreements, and the like.

Perhaps the most important element of TC for the work of this negotiating group is the provision of equipment and training to set up information systems and to enable the country's officials to analyze the impact of the many proposals that will be forthcoming. The benefits of such assistance will not be confined to the NGMA, but this is a good place to start.

Agriculture. Liberalizing trade in agriculture has been less successful than in just about any other sector since GATT was formed after World War II. The tariffication of agricultural protection in the Uruguay Round, even though rates are generally high, was an important step in that it introduced more transparency in protection than had existed before. Nevertheless, the agriculture sector is replete with domestic support programs that lead to restrictions of competitive imports, tariff quotas and seasonal import duties to limit internal competition, and widespread export subsidies by developed countries that can afford them.

Sanitary and phytosanitary standards (SPS) to protect consumers are an essential ingredient in the agricultural field, but these, like technical standards generally, are subject to abuse for protectionist purposes. Various techniques for mutual recognition should also be part of the negotiations in this sector. Technical help for working these out will probably be essential. The training priority should probably focus on the technical personnel and then on facilitating communication between these experts and the negotiators.

In view of the great overlap between the Negotiating Groups on Agriculture and on Market Access, the two groups have mutual briefings on such aspects as customs procedures, data collection, tariffs and nontariff measures, and safeguards. The work of the NGAG also

overlaps to a great extent with that dealing with subsidies, antidumping, and countervailing duties.

The NGAG must deal with SPS and other technical issues not always evident to negotiators who are not steeped in domestic policies and international trade in agriculture. In this sector, seasonal duties are unique, tariff quotas are more prevalent, trade-distorting measures are more extensive (often hidden), and export subsidies (largely eliminated in other sectors) remain common. The search for transparency is particularly important in agricultural trade. One negotiating objective of developing countries in the FTAA negotiations is to eliminate export subsidies in agricultural trade in the hemisphere and keep out subsidized imports from outside the region. Other international organizations have worked out agricultural producer subsidy equivalents (for example, the Organization for Economic Cooperation and Development [OECD]), and this information should be available to the NGAG. All these points bring out how much the NGAG will have to look to the Tripartite Committee for background information.

Key TC needs for overall conduct of the negotiations are particularly relevant in this sector because agriculture has great importance in the life of the small and less-developed economies in the hemisphere and in their exports. These needs include TC in data gathering and management, in techniques to analyze the significance of trade liberalization, and in penetrating the veil of complexity that typifies agricultural trade.

TC is particularly needed to help understand the sanitary and phytosanitary standards of each hemispheric country, particularly the more developed ones. Countries with substantial expertise in agriculture and SPS still need information on the practices in their major export markets, and those with only rudimentary knowledge of the intricacies of agricultural trade need help in this area as well. It may be that experts from Latin American countries with more advanced economies, and hence more experience in dealing in agricultural export markets, would be the best providers of technical assistance to the technical people from smaller economies.

Services. TC is needed for the negotiators to understand what already has been done in the services field in the WTO General Agreement on Trade in Services (GATS) and in the subregional agreements in the hemisphere, in LAC countries and in NAFTA. Negotiation of trade in services cuts across many sectors and therefore differs markedly from negotiation in a specific sector such as agriculture. Negotiating experience, both global and hemispheric, is less extensive for trade in services than for merchandise trade. Consequently, it is more difficult to specify the TC needs in the services negotiation than in many other groups because there is less certainty about where the services negotia-

tions will go. It is likely that the needs of participants in the Negotiating Group on Services (NGSV) will expand as the negotiations proceed.

Nevertheless, some TC needs already can be seen clearly. The services negotiations are certain to extend to international telecommunications, which is expanding at a phenomenal pace. Negotiators from just about all hemispheric countries, but particularly those with small economies, will need guidance on what the issues are in this field. As for trade in financial services, hemispheric countries have more experience, but here again fast-paced changes—particularly when combined with advances in communication technologies—mean that negotiators from most hemispheric countries need updating about current practices. Recent experience with weak banking structures leading to financial and economic turmoil highlights this need for deeper knowledge by negotiators and supporting experts. They also need to understand the position of their countries on the inflow of portfolio capital. Much the same can be said about the need for background information about transportation, inevitably an important issue in services negotiations. Much technical guidance in these areas can be provided by the Tripartite Committee, but it is unlikely to be able to do so without outside assistance. As in other fields, decisions must be made whether to give training priority to technical personnel or to the negotiators.

Trade in services is closely linked with foreign investment because many services can be provided only by persons transplanted from home countries to the countries in which the services are to be provided. This is true for such professional services as engineering, architecture, law, and accounting. Providing communication services requires vast investment as well as transplanted experts. Trade in financial services is increasingly linked to ownership of foreign financial institutions, whether commercial banks, investment banks, or insurance companies. The growth in tourism has been accompanied by foreign ownership of hotels and other facilities.

In the first instance, what is needed to conduct negotiations for trade in service is background information. This includes: what are country obligations stemming from the Uruguay Round; what obligations are included in the various subregional integration agreements; what are the technical requirements for negotiating in information technology, communications, finance; what are the opportunities and pitfalls of opening electronic commerce more widely?

The negotiators in the NGSV have recognized their need for more background information. This is reflected in their requests to the agencies of the Tripartite Committee, as well as in the matrices they have been compiling about possible subjects for negotiation and the many suggestions being made by participating countries. The participants

from small economies undoubtedly need this background information because the economic futures of many of their countries are closely tied to the ability to export a variety of services. The TC needs will expand and become clearer as negotiations proceed.

Government procurement. Many trade-negotiation veterans from both developed and developing countries in the hemisphere are edgy about how much progress can be made in the negotiating group on government procurement (NGGP). There are a number of reasons for this: uncertainty about the extent of government procurement in different countries; ambiguity about national procedures; the built-in incentives for bribery by bidders and self-enrichment (corruption) of decision-makers; and the power of entrenched interests accustomed to national favoritism in letting out government contracts. Aware of these problems, NGGP participants are asking the Tripartite Committee for comprehensive documentation about the extent of government procurement, areas of commonality and divergence in the various country programs, and the nature of classification systems in reporting on government procurement by LAC countries and their compatibility with international systems.

Beyond these initial information needs, assistance is also required in identifying the relevant laws and regulations with respect to government procurement. What conditions exist for transparency, how much advance notification is given potential suppliers, are there conditions forcing multiple bidding, what is the ability of decision-makers to bypass these requirements in making awards, how extensive is public information when awards are granted—these are among the issues that need to be examined. Another question—how extensively are electronic systems used in the process—once again brings up the need for updating computer and informational systems if the LAC countries are to take maximum advantage of the FTAA process.

Confining bidding for government procurement contracts to national companies has a long and notorious history. Even when national exclusivity is not required, many countries provide incentives to national bidders—because they are small in size, or are minority owned, or come from backward regions, or promise to hire more workers, or whatever. These features are not confined to the developing countries, but are embedded in practices of industrial countries. They exist in federal systems at the national and state/provincial levels, and are prevalent at the municipal level. In other words, favoritism of this type is a common political feature of government procurement practice across the world.

The shortcoming of this favoritism, of these politically motivated government expenditures, is that governments—and therefore taxpayers as a whole—are not optimizing their expenditures. Because government procurement can be exten-

sive, the discrimination against nonnationals is a powerful nontariff barrier. Past negotiations have recognized this, but countries also demonstrated that they were unwilling to open government procurement completely. The more common practice is to open the process for some government-owned entities, but not for others. To the extent that this is done, negotiators must have substantial knowledge about the practices not just of governments, but of government-owned operations. In other words, the informational needs must go beyond global numbers in order to include meaningful breakdowns by entities.

TC will not eliminate the political character of government procurement, but it can help make this more transparent to foreigners and nationals alike. Successful negotiation to liberalize these activities requires transparency, and this is where TC can play an important role.

Investment. A transformation in thinking has taken place in the LAC countries about receptivity to foreign direct investment (FDI).[2] LAC countries generally resisted extensive FDI in the first three decades after World War II. They were concerned that if foreigners dominated large segments of their economic activity, national control and sovereignty would be compromised. FDI was not excluded, but was tolerated only on certain conditions: minority equity positions for foreigners, export and other performance requirements, insistence on using national courts to settle disputes, and exclusions of foreigners from certain activities (usually energy, mining, and power generation and distribution).

This policy changed in most countries during the 1980s, when it became evident that foreign debt financing did not shield countries from turmoil and perhaps made it worse by leading to domestic bankruptcies and forcing governmental debt restructurings. This policy shift led to more open import markets and the desire to promote exports of goods and services. These objectives went together with seeking FDI because, unlike debt accumulation, the investors had an incentive to export as well as to penetrate the national market.

What occurred, therefore, was a search for FDI rather than mere toleration. The opening has never been complete; countries still reserve certain sectors for their governments and nationals, and many still seek assurance that the foreign investors will export and not focus exclusively on the domestic market. However, the change has been remarkable and took place quite rapidly during the "lost decade" of the 1980s. The active search to attract FDI has not been exclusive to the LAC area, but extends to developing countries generally and, indeed, to localities in industrial countries. One salient reality of the globalization phenomenon is that FDI has grown more rapidly over the past decade than the collective GDP of the world's economies. The internationalization of production, consequently, has increased.

The themes that the Negotiating Group on Investment (NGIN) must deal with reflect both the attitudinal change and the lingering aspects of nationalism. It is therefore not surprising that the NGIN must define such issues as they apply to FDI as national treatment, most-favored-nation treatment, fair and equitable treatment, expropriation and compensation, and compensation for losses. In addition, the negotiations will have to deal with such topics as performance requirements, admission of foreigners for technical and managerial positions, the nature of exceptions and reservations, the handling of transfer pricing between affiliated companies, and dispute settlement. These issues have historical antecedents and contemporary salience.

The informational needs go beyond those cited above. Countries need background on the nature and scope of the TRIMs (trade-related investment matters) agreement in the Uruguay Round and the extent of the obligations they have already committed themselves to. The nature of the investment provisions in the subregional integration agreements, both those of the LAC countries and those of NAFTA, must be set forth. Many countries have bilateral investment treaties (BITs), particularly with the United States, and the NGIN participants need to know about all of them and what rights and obligations they impose on the signatories. Information on the extent of FDI in the hemisphere must be kept up to date.[3]

Many international institutions have short courses on investment issues, but it is uncertain whether these are adequate. The WTO deals with the issue in connection with the contents of the TRIMs agreement, which, while useful, probably does not go far enough. OECD has short seminars which may be valuable—especially on the Multilateral Agreement on Investment (MAI) negotiations, now suspended—but insufficient. Much the same can be said for training by other institutions, such as the OAS, UNCTAD, INTAL, and the Economic System for Latin America (SELA). The more extensive IDB reimbursable credit programs, when instituted, should be detailed and extensive enough to correct the shortcomings of other courses. The secretariats of the subregional groupings in the LAC region have had much experience with investment issues and may be able to provide considerable information to their members.

Investment has only recently taken its place alongside trade as a major issue in international trade negotiations. The long delay is substantively surprising because the two really are inseparable in this age of globalization, but is historically understandable. The FTAA negotiators, particularly those who have had limited experience in investment negotiations, could well benefit from extensive technical help in this field.

Intellectual property. Protection of intellectual property—patents, copyrights, trade secrets—is one of the "new" themes

in international trade negotiations. The subject itself is far from new, but it took considerable effort by developed countries, particularly the United States, to put it on the agenda of international trade negotiations. The World Intellectual Property Organization was established in 1883 and became a specialized agency of the United Nations in 1974. Agreement was reached in the Uruguay Round on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Some agreements in the Uruguay Round were à la carte (i.e., countries could sign on at their own discretion), but TRIPs was not. Consequently, the rights and obligations of the TRIPs agreement apply to the hemispheric countries. It is therefore necessary to provide TC to assure that all the FTAA participants are briefed fully on their TRIPs obligations and are informed on how completely these are being met.

Considerable training is available on intellectual property rights (IPR). WTO and WIPO cooperatively enhance their legal-technical TC to developing countries relating to the TRIPs agreement. Article 67 of TRIPs itself requires that developed countries engage in financial and technical cooperation with developing countries at the request of the latter, on terms that are mutually agreeable. The training is apparently directed primarily at officials who work in IP offices in developing countries. This means that coordination between the negotiators and the experts, assuming they are separate persons, is essential in this field, as in many others.

Because IPR issues have substantial legal and technical content, many universities provide doctoral level training programs and offer specialized courses. While most of these are in developed countries, this university-level training is offered as well in Argentina, Colombia, and Venezuela. Many governmental and nongovernmental organizations, national and international, offer practical training on various aspects of IPR, and conferences on these issues are frequent.

The IPR issue has often been controversial in relations between developed countries, which generate most patents and copyrights, and developing countries, which are obligated to protect these rights. This has been true in the Western Hemisphere between the United States and LAC countries in the pharmaceutical sector in what can best be described as a classic conflict between countries where the research is done and those which seek low-cost medicines for their population. Conflicts arise as well in pirating of video tapes and compact disks.

The areas in which most information is needed for the FTAA negotiations, particularly for the less-developed and small countries, include full knowledge of their existing trade commitments; full knowledge of their own laws and regulations; an understanding of the requests likely to be made by the more developed countries, primarily but not exclusively the United States and Canada; and what changes in laws and regulations will be needed if more obligations are taken on

in the FTAA. The Negotiating Group on Intellectual Property (NGIP) can obtain some of this information, but by no means all, from inventories of country laws prepared by the institutions of the Tripartite Committee. They can also take advantage of Article 67 of the TRIPs agreement.

Countries also could use assistance in assessing their own IPR interests. It is not necessarily the case that only developed countries will make demands for IP protection and that only developing countries will be the recipients of these demands. Many small economies have their own IPR interests—for example, copyrights for music in which some of them excel. Others have unique textile designs for which they may wish to seek protection. A number of small countries—Ecuador, Jamaica, Nicaragua, and Trinidad and Tobago—have bilateral IPR agreements with the United States which go beyond the terms of TRIPs. Honduras and the United States are now negotiating an IPR agreement.

This issue has come a long way in a short time in trade negotiations, and it may be wise to provide TC to help the smaller countries take stock of where they are with respect to what is going on outside their borders and, therefore, what they should seek in the FTAA negotiations.

Subsidies, antidumping (AD) and countervailing duties (CVD). This negotiating group (NGADCV) must deal with an issue replete with conflict. This is because these measures, particularly AD actions, are increasingly becoming the protective instrument of choice of many nations. Coupled with this, there are no simple solutions to the problem of AD and CVD actions. There may be somewhat more pay dirt in seeking to limit subsidies, but this issue was addressed in constructive fashion in the Uruguay Round. The NGADCV's work overlaps with that of other negotiating groups, such as market access, investment, agriculture, and competition policy, and coordination among them is necessary, as each group recognizes.

AD and CVD actions, within limits defined in the WTO and in regional free-trade agreements (FTAs), generally permit countries to enact and define their own laws and regulations. There are exceptions to this—for example, in the Australia–New Zealand Closer Economic Relations agreement, and potentially for AD actions in the Canada-Chile bilateral FTA. Canada, when it negotiated its FTA with the United States, sought to eliminate the use of AD measures by either country. This failed, but chapter 19 of that agreement (later incorporated in slightly modified form in NAFTA) authorized compulsory arbitration to determine if the country applying compensatory duties followed its own laws and procedures. This has worked reasonably well, but it requires a form of due process and transparency to permit review of exactly how AD actions were taken, and this degree of openness may not exist broadly in the laws of other

hemispheric countries. Mexico deliberately modified its laws in order to enter into this appeals arrangement.

The NGADCV has requested an updated inventory of AD and CVD measures taken in the hemisphere, as well as a compendium of AD and CVD legislation that exists. This is necessary background that the Tripartite Committee agencies can provide and keep current. The WTO provides training on its AD and CVD provisions and offers a broad framework to design model legislation. Hemispheric institutions, INTAL for one, provide short training sessions on AD/CVD and trade remedies in general. These are all useful, but by no means adequate.

As one interlocutor put it, most hemispheric countries dread petitions by U.S. companies for AD investigations and protection, but are unsure how to prevent these from happening. The simple answer that they should not dump is unsatisfactory because U.S. procedures defy simple interpretation. The United States may not be unique in this respect. Perhaps the best that can be provided in the way of TC is to make sure that trade officials of other hemispheric countries are familiar with the laws and practices in the U.S. and all countries. Workshops and seminars on these issues abound, and many law firms sponsor courses on new legislation in this field. One part of TC should be the establishment of a technique to keep trade officials informed of these meetings and, to the extent possible, to provide financing to participate.

Negotiations in the FTAA may revolve around the application of legal processes for imposing AD/CVD measures to see if there are ways to circumscribe the boundaries. If this is possible, the countries would need information on the boundaries that now exist in various countries. Law firms advise countries about the use of AD/CVD measures, sometimes in advance but more typically after a case is in play. This is a costly but necessary defense. Policy issues between countries often become intense, as they are now with respect to AD petitions in the United States against steel imported from Brazil, but these often become company-specific disputes rather than matters of high public policy that can be negotiated in a comprehensive way.

AD/CVD legislation is well entrenched in the United States. The use of these measures is becoming more frequent in other countries as well, and decades of effort to circumscribe them have had only modest effect. Yet there have been constructive modifications, as in the Canada-U.S. FTA and then in NAFTA. What this implies is that the effort to improve AD/CVD practice can have a payoff; and this, in turn, requires that hemispheric countries be well informed about the situation to make the negotiation meaningful.

Competition policy. A number of the negotiating groups are dealing with issues new to international trade negotiations—services, intellectual property

rights, investment, and to a large extent government procurement. The newest topic, however, is that handled by the Negotiating Group on Competition Policy (NGCP). Indeed, there is no accepted agreement of how to best get at the linkage between trade policy and competition policy. Most hemispheric countries, particularly the smaller ones, have no effective anti-monopoly and unfair-business-practice policies. Many that do (Brazil, Mexico, Venezuela) introduced them relatively recently and are still experimenting with how to make them work well. Even more economically advanced countries are conceptually unclear as to how the changing structure of private enterprise meshes with traditional anti-trust policies, as witness the recent U.S. lawsuit against Microsoft for allegedly monopolistic behavior. Defining monopoly in a fast-evolving, ever-changing industry like computer software may not be the same as it was in oil and steel earlier in the century.

It is not clear how the work of this FTAA negotiating group relates to concerns of countries with small economies, and studies have been requested on this theme. Differences in jurisprudence between countries under civil law systems and those under common law have to be understood and taken into account. There are legitimate concerns that monopolistic practices distort international trade. The mega-mergers taking place across national boundaries in such fields as telecommunications, banking, insurance, power generation, and auto production raise fears about restraint of trade. Even if the way competition policy and trade should be linked is unclear, a hemispheric start is appropriate. In other words, this negotiating group has an unenviable task.

As with other working groups, the first requirement here is an updated inventory of national laws and practices, and this is being compiled by the OAS. The state of play in the WTO must be clarified to the negotiating group participants, and so too must any material relating to this subject in hemispheric agreements, particularly NAFTA. This is the learning stage for this negotiating group and, consequently, gathering of the necessary information and TC for officials involved in the negotiations are probably the most urgent tasks.

Much TC can take the form of sending relevant officials to international meetings on competition issues, something that requires information and financing. The U.S. Department of Justice and the Federal Trade Commission, which have responsibility for anti-trust (anti-monopoly) matters in the United States, accept foreign officials for brief, on-the-spot observation and participation in their activities. This is probably more useful for countries with large economies than with small ones. The Centro de Formación para la Integración Regional (CEFIR) in Montevideo offers short courses on the links between competition and other policies—e.g., those

dealing with regulation—plus practical training. INTAL, under the joint IDB–Central American Bank for Economic Integration technical assistance program, has a module in its training in Central America on defense of competition which provides a conceptual framework and analysis of some specific cases.

Dispute settlement. Disputes between trading partners will always arise, whether the countries are joined together in a trade integration arrangement or not. This is evident from the disputes that erupt between member countries of the subregional trading groups in the hemisphere. The existence of these groups, however, does provide an organized way to settle conflicts, and this is surely better than anarchy or settlement by the exercise of superior power by the stronger country. One purpose of an agreed dispute-settlement procedure is to minimize the practice of the powerful imposing a solution.

The Negotiating Group on Dispute Settlement (NGDS) has a relatively clearcut objective, but it must confront complex issues in achieving it. The working group must have considerable information on how other dispute-settlement mechanisms are working. Foremost among these, probably, is that in the WTO, which was strengthened in the Uruguay Round. Information on how the WTO has worked to settle disputes, the number and kinds of cases, who brought them, how they were or were not resolved, should be available to the NGDS. The FTAA mechanism that is devised should be seen as an adjunct to that in the WTO. In addition, the working group should study the nature and functioning of the dispute-settlement mechanisms in the subregional integration agreements in the hemisphere because these can provide models of the thinking of hemispheric countries.

TC for dispute settlement is available from many sources. The WTO has short programs on its own dispute settlement procedures and can send a legal expert to any developing-country member which seeks help to settle a trade dispute.

Disputes will occur in the FTAA on issues other than trade per se. Investment disputes will arise, and the negotiating group on this subject is examining that. NAFTA has specific provisions dealing with investment disputes, and FTAA participants should be informed about how these work. Many conflicts arise from agricultural policies (such as food aid, subsidies), sanitary and phytosanitary standards, other standards and technical measures, environmental matters—indeed, across the board—and some of these disputes may need resolution techniques different from straightforward import restrictions. The training of hemispheric officials should lay out how the various kinds of disputes may require their own resolution procedures.

CONCLUSIONS

Hemispheric leaders deserve considerable kudos for seeking ways to equip all

LAC countries involved to participate effectively in the FTAA negotiations. This is a far cry from earlier multilateral trade negotiations, when the interests of countries with small economies were given short shrift.

Technical training and cooperation for a venture as ambitious as the FTAA must go well beyond the specific negotiating areas, as important as these are, and take into account how the trade negotiation outcomes will affect national development efforts. TC, therefore, starts at this national level and is best when it includes development institutions and experts as well as experts from trade institutions. Many TC needs transcend specific negotiating groups, involving cross-cutting trade issues, and these tend to be most in demand. They include help to devise information systems and learn techniques for analysis of the consequences of the trade bargains. There is a seamless web of needs for the smaller economies that starts at the national program level, includes the cross-cutting negotiating requirements, and then absorbs the explicit negotiating groups.

The stress has been on the smaller economies because that is where the TC needs are greatest. However, many countries with larger economies also need assistance in many technical areas—e.g., how to use pesticides in agricultural production without running into sanitary problems later, how to construct anti-monopoly institutions, or how to deal with the interplay between financial and trade liberalization. Such assistance, when requested, should also be forthcoming.

The FTAA is an ambitious exercise whose ultimate success is uncertain. Enabling full engagement by all participants, regardless of the size of the economy or past experience in trade negotiations, is a worthy endeavor. ■

NOTES

[1] The OAS trade unit distributed several papers on this subject. See, for example, Sherry M. Stephenson, "Standards and the Regional Integration Process in the Western Hemisphere," OAS, November 1997.

[2] Portfolio investment negotiations may take place in the Negotiating Group on Investment as well as in the NGSV.

[3] ECLAC submitted a report to the negotiating countries on "Direct Investment by the United States and Canada in Latin America and the Caribbean."

The Urban Poor as Development Partners

BY LAILA ISKANDAR KAMEL

Recycling, re-manufacturing, and trading of solid waste by poor communities in Cairo have created significant sources of employment, income, and social transformation. Also environment-friendly, these processes recover non-renewable resources for re-use and reduce the need for burning and landfill. The Cairo experience is now being assessed and applied more widely as a human development strategy that also produces cleaner cities. The author, who has worked in the Cairo communities programme since 1982 as it evolved into a national NGO, focuses on promoting local indigenous knowledge in the informal sector as a tool for national development.

CAIRO'S 14 MILLION INHABITANTS generate an average of 9,000 tons of household garbage every day. A third of this—3,000 tons—is collected by informal-sector operators, not scavengers, who came to Cairo from the rural South in the late 1940s and early 1950s.

Their expertise in collection, sorting, and recovery has saved the city from burning or dumping into landfills millions of tons of solid municipal waste. They recover and recycle 80 per cent of what they collect. They operate a recycling micro-enterprise which has generated jobs and income for an estimated 40,000 people. They have even elevated recycling to an aesthetic level by producing handmade crafts from rags and paper. They have created what is arguably the world's most efficient resource recovery system. It works through partnerships among poor communities, the private sector, academics, consultants, national and international donors, the government, other NGOs, and alternative trading organizations.

Their partners are now proposing national-level strategies for solid waste management based on their practice. Furthermore, they are transferring their knowledge to other communities in Egypt and elsewhere by designing new models of solid-waste management. In short, they are becoming makers of solid-waste technology and not just informal-sector people on the fringes of society. Their experience offers practical insights and action ideas that can help deal with the global crisis of increased urbanization, the widening gap between haves and have-nots, and the inability of developing-country economies to provide adequate employment and income opportunities for the vast majority of adults.

The garbage collectors are becoming makers of solid-waste technology and not just informal-sector people on the fringes of society.

THE CAIRO COLLECTORS

On the outskirts of Cairo are informal settlements of migrants from the rural south of Egypt, specifically from the province of Assiut, 400 kilometers south of the capital. These villages are on the physical, social, economic, and institutional fringes of the city, as many rural-to-urban migrants are elsewhere in the world. Starting in the 1940s, many families living there took on the daily tasks of collecting, transporting, sorting, recovering, trading, and recycling municipal household waste from a major section of Cairo.

As the city grew from a population of 2 million in the 1940s to its present size of 14 million, there was also growth in the number of collectors-recyclers in the informal sector. Today, five such neighborhoods form a ring around Cairo. The geographic area they draw from has also increased. Their trade has become highly organized and specialized. They conduct door-to-door collection in main neighborhoods of the city, transport the waste to their homes, and manually sort out items which have continuing resource value for various re-uses.

Their expertise in resource recovery has expanded into enterprises which recycle, re-use, re-manufacture, and market items through a variety of outlets. These outlets, also in the informal sector of the economy, are not just in Cairo but all over Egypt. From collectors to marketers, their combined ingenuity achieves recovery, recycling, and trade of 80-85 per cent of the city's waste, and contributes to more economically empowered lives.

In only one of these settlements, Mokattam, in 1996, there were at least 200 small and medium-scale enterprise workshops for recycling. They employed an estimated 1,022 youth. They had invested a total of US$287,045 in start-up capital, mainly in plastic granulators, paper compactors, cloth grinders, alu-

minum smelters, and tin processors. Supporting industries to these main industries spread throughout the neighborhood.[1]

Since 1982, I have been involved with the garbage collectors' community of Mokattam and the organizations it has spawned. I have seen it blossom from local family efforts associated with the Coptic Orthodox Church of St. Simon the Tanner into the headquarters of a national NGO. By 1987, a grass-roots NGO had emerged—the Association of Garbage Collectors for Community Development (AGCCD)—where I worked as a trainer in its primary health program. In 1988 the national NGO was created: the Association for the Protection of the Environment (APE), based in Mokattam. We then designed and started a rag-recycling project for girls and women based on dignity, non-formal learning, and empowerment, where I worked for ten years. The basic premise in all these programs is that they always involve open learning communities at the grass roots, using models of non-formal education and a non-profit organization.

Through their work, the *Zabbaleen* (which means traditional garbage collectors) demonstrated how municipal solid waste can be recovered and re-manufactured to create new wealth, employment, and economic opportunity, while also protecting the environment from burning, landfilling, or extracting more non-renewable resources from the earth. With an 80-85 per cent recovery rate, their performance has exceeded that of many industrialized countries, such as Germany and Denmark.[2] In terms of employment, 40,000 jobs are handling 3,000 tons of garbage daily at no cost to the government—a sustainable model of cleaner cities revolving around employed youth. Of all the collection systems which service the city of Cairo, the community garbage collectors system has proved to be the most efficient, regular, and reliable.

Their expertise in resource recovery has expanded into enterprises which recycle, re-use, re-manufacture, and market items through a variety of outlets.

Through their two community-based organizations, AGCCD and APE, they have made themselves into an outstanding example of micro-enterprise recyclers (for men) in their homes, and community-based income-generation groups (for women). Both organizations are located in Mokattam, the largest of the five neighborhoods.

THE TWO-STREAMS STRATEGY

In 1992, the Association for the Protection of the Environment conducted research on how to modernize the practices of the *Zabbaleen*. In two Cairo neighborhoods (Manial and Deir el Malak), a pilot project tested whether residents

could be induced to separate their waste into two cans: organic and non-organic (or food and non-food).

Separating organic garbage at its sources would save women from the odious task of sorting it manually. Garbage collectors delivered the organics directly to composting plants around Cairo, including one operated by APE. This meant less time for rotting garbage to be a public nuisance, less sorting of organics, and less contamination in the process. As for the non-organics, they went to Mokattam for sorting and separation, which are also cleaner since non-organics are not present, and for processing and re-manufacturing in the micro-enterprise workshops run by the men.

The key question was whether residents would perform the at-source separation, providing two streams of waste to make this more beneficial process possible. The result was that, during two years, 65 per cent of residents performed at-source separation. This positive finding was reported to policy makers and the new Ministry of the Environment. It provided a basis for proposing a new environmental strategy for cities in Egypt that could recover resources more efficiently and improve women's roles, while also producing cleaner cities.

WHAT WORKS AND WHAT DOESN'T

Distilling 17 years of experience in the evolution of these communities, it is possible to identify which strategies and tactics contributed to success, as well as some approaches to avoid in this type of community-based, informal-sector program.

The results have provided a basis for proposing a new environmental strategy for cities in Egypt that could recover resources more efficiently, generate significant employment, and improve women's roles, while also producing cleaner cities.

1. Participatory methods of need identification. At each stage, the needs of the community were identified by a group of people which included members of the community. In summary, the process by which the demand was identified included study of observed behavior, observed need, documented need, response to crisis, debate and discussion, result of annual evaluation (internal), ideas proposed from outsiders, and opportunities identified by community board members.

2. Linkages. To obtain the range of resources, knowledge, and skills required for the program to work, it was necessary to draw in a variety of partners. Each partner had specific roles and contributions, according to its capacities and characteristics:

- *The poor:* The focus was on building up their technical competence, income-earning ability, health survival, literacy, legal liter-

acy, marketing links, and project management skills, and connecting them to other empowered communities of the poor.

- *The private sector:* Direct appeals were made to individuals, corporations, and business associations. They were brought in to visit the people in the neighborhoods and provided expertise, funding, technology, etc., in line with their capacities and the community needs.
- *Academia and consultants:* From universities and institutes, specialists in several fields donated time and expertise to improve project design and operation.
- *The rich:* Their financial support was sought, based on social justice ideas in the prevailing religious culture. It emphasizes the importance of almsgiving, including voluntary donations for the welfare of the poor, as emphasized in the Koran and the practice of *zakat* or voluntary welfare tax.
- *External donors:* Their involvement at community level was kept to the minimum and only when absolutely necessary. However, international donor agencies were useful in interfacing with government on behalf of the poor and educating it on the issues of poverty.
- *The government:* Its roles were to change laws affecting the status of the poor, introduce policy reforms where necessary, help transform the image of the poor, provide linkages with the formal school system, and help achieve sustainability and mainstreaming into the national picture.
- *Other NGOs:* Connections were made with local, regional, African, and international networks of NGOs in order to benefit from technology transfer and advocacy which they could provide.
- *External marketing links:* The APE has refused to deal with the Western private sector because of unfair trade terms. Instead it works only with alternative trading organizations which specialize in marketing Third World products with a larger, fair return to the producers.

3. New measures to evaluate efficiency. The special community character of the program required that the evaluation process depart from standard topics and methods. It had to be tailored to the specific behavioral, educational, organizational, and business-type goals of the program. This meant formulating new measures of efficiency and new ways of evaluating it. The list of new measures included evaluations of:

- social transformation that linked earning to literacy, to legal rights, to managing neighborhood affairs, to decisions about marriage age, choice of spouse, etc.
- changed behavior in daily life: achieving self-reliance, supporting

others, obtaining information and using it, etc.
- policy reform based on practice that is rooted in local knowledge as a prerequisite for sustainability
- innovativeness and creativity
- leadership roles acquired in the neighborhood by learners
- incidence of community members volunteering for their neighbors in the community
- earnings, including monthly scrutiny and decision-making about money
- new access to learning experiences for individuals, for communities, and for the institutions which are creating the learning organization
- improved health and the reduction of disease vectors
- increased sales of recyclables, of compost, etc.
- better accounting and business procedures.

4. Effective strategies. Six strategies that worked well in the Cairo program can be commended for assessment and possible adaptation elsewhere, again with tailoring to specific program characteristics locally. The strategies we found effective for our program were to:

- Adopt a human resource development approach focused on the alleviation of economic poverty as a first priority by addressing the most immediate and urgent needs of the poor. As seen by community people in Cairo, their biggest problem was their very low and uncertain income.
- Make an inventory of all of the resources a community possesses, rather than dwelling on the baseline indicators of need and marginalization. This means counting the positive assets of the community, such as their current ways of earning income, economic activities, marketing outlets, technical skill levels, expertise, mobility, knowledge, traditional practices, etc.
- Adopt an appreciative inquiry approach to a community characterized by the most extreme need and oppression.
- Institutionalize the know-how of the informal sector and seek to inform national strategies based on it. In Cairo, two non-profit organizations institutionalized the know-how of the *Zabbaleen* and advocated bringing the garbage collectors' expertise to policy level in the search for solutions to the solid-waste problem in the city and all of Egypt.
- Identify the external resources available to the community, such as government clinics, patrons, funding sources, volunteers, markets, etc.
- Identify potential catalysts within the community and without.

FROM CAIRO TO THE SINAI AND OTHER COUNTRIES

The experience of the Cairo garbage collectors and their two NGOs is being transferred to newly created tourist towns in the south Sinai region of Egypt. This is being done through my consulting firm, Community and Institutional Development (CID), which brings together the practical knowledge about program design and implementation gained since 1982 and applies and adapts it in additional locations. In the town of Nuweiba, a new model of solid-waste management has been introduced and put into operation. Similar plans have been presented to the Egyptian Tourism Development Authority for all other towns on the Red Sea and the South Sinai.

The community has been encouraged to forge new partnerships with other NGOs and communities working on similar areas of intervention. Their expertise in solid-waste management, recovery, and recycling has attracted the interest of other community-based organizations in North Africa, sub-Saharan Africa, and the Middle East. They feel their expertise and their understanding of local issues equips them to reach out to transfer and adapt their know-how in solid-waste management to people in other communities and countries in the South. This branching-out is being promoted and guided by a Board consisting of members from mainstream Cairene society, members of the research and academic community, parliamentarians, and consulting firms.

While this model has demonstrated its suitability and relevance to the needs of developing countries, companies from the industrialized countries of the North still persist in attempts to sell inappropriate technologies for waste management in the South. This is done only in the interest of sealing a profit-making commercial deal, despite the fact that these technologies stand little or no chance of sustainability. Donors are equally inaccurate in their assessment of developing countries' needs when they design solid-waste management projects or offer "technical assistance" to countries in the South. They thus perpetuate a model of development policy and implementation which promotes inappropriate transfer of inappropriate technology for inappropriate development. Here is another area where the Cairo experience could well be adapted, replacing over-costly foreign-born projects with indigenous methods which provide employment, help reduce poverty, and serve the environment. ■

NOTES

[1] Survey conducted by Romani Badir Zikry, commissioned by Community and Institutional Development (CID), Cairo, 1996.

[2] Adriaanse, Albert et. al. *Resource Flows: The Material Basis of Industrial Economies*. Published by World Resources Institute and others, 1997, p. 28; and Danish Environmental Protection Agency, Ministry of Environmental and Energy. *Waste Management in Denmark*, 1997.

Civil Society and Private Sector Partnership for Development

A PHILIPPINE EXPERIENCE

BY CHRISTOPHER M. GOTANCO

Can investors and corporations work together with civil-society organizations in ways that simultaneously increase community-level benefits, add to local growth potentials, and improve the viability and effectiveness of private investment? An example of such a partnership from the Philippines is presented by one of its participants, Christopher Gotanco. He is the President and Chief Operating Officer of the Anglo-Philippine Holdings Corporation, based in Manila, which works in infrastructure and property development.

INTRODUCTION

In recent years, anecdotal evidence shows a significant change in the nature and structure of relationships among the state (government), the market (business) and civil-society organizations (CSOs). This paper presents a case based on the experience of a multinational business alliance advocating a water supply project in a Philippine province using the build-operate-transfer (BOT) concept. The experience shows a marked shift from a predominantly adversarial to a more collaborative relationship among the major players in their efforts to achieve their respective goals.

FROM ADVERSARIES TO PARTNERS

Among the vestiges of the Cold War is a lingering distrust among CSOs, the private sector and government, according to a Latin American advocate of civil society organizations (Valenzuela, 1997). Often, business entertained the stereotype of CSOs as being ideologically opposed to free markets and the profit motive. CSOs, in turn, considered that private business did not necessarily play a socially responsible role.

Since the collapse of state socialism as a realistic alternative for social organization, civil society and the private sector have been finding common ground in their commitment to democracy and the

importance of market-driven economic development. On one hand, civil-society organizations are becoming more tolerant of the market and the need for more private-sector involvement in the delivery of what used to be government-controlled social services. Business, on the other hand, has shown a growing awareness of the problems of inequality and the need for a greater commitment to social investment (Valenzuela, 1997; Regelbrugge, 1997). Civil-society organizations play an important role as the institutional link between business and grass-roots organizations, as the latter exercise their right to participate as legitimate partners in the delivery of public social services (Vincent and LeClere, 1992).

For its part, the state is expected to provide what economic literature refers to as an "enabling environment". Among other actions, this calls for the privatization and liquidation of public-sector activities that compete unfairly with the private sector, the removal of restrictions on competition, the elimination of controlling and licensing functions, and the dismantling of public agencies that perform those functions. It also means providing a level playing field for the private sector (Boeninger, 1992).

These marked shifts in public- and private-sector relationships have been influenced by sea changes in the socio-economic and political environments. The growth in public-sector deficit, particularly in countries saddled with massive foreign debt, has reduced the state's capacity to attend to the social investment needs of their citizens. This has resulted in a growing reliance on the private sector to extend financial, technical and management assistance to government in meeting certain basic social needs. Not only has business viewed this development as an opportunity, but also it has made the private sector aware that its best interest is to fill the gap for the sake of fostering social harmony and promoting a conducive social and political environment for doing business.

The broadening of the so-called democratic space, particularly in countries going through a transition from authoritarianism to democracy, has also abetted the mobilization of civil society groups, supported by the emergence of a more active and vigilant mass media. This is certainly true in the case of the Philippines.

By the early 1990s, sustainable development had emerged as the new development paradigm. What distinguishes sustainable development from previous development paradigms that failed is

The private sector is now seeing its best interest is to help government meet certain basic social needs, thus fostering social harmony and promoting an environment conducive to doing business.

civil society's role in defending and advancing societal interests and promoting civic values and good governance practice (Vincent and LeClere, 1997).

THE BOHOL WATER SUPPLY PROJECT: A CASE STUDY IN MOBILIZING CIVIL SOCIETY

The Bohol Water Supply Project, begun in 1995, clearly illustrates these emerging trends. The project was initiated by a multi-national business alliance consisting of a leading American company with a strong global presence in engineering and construction, a major Japanese firm known for its expertise in providing industrial services and equipment, and a Filipino company engaged in infrastructure and property development.

The project entailed constructing a water-trapping and treatment facility in the province of Bohol, a rural area in Central Philippines that is rich in natural resources and environmentally well preserved, but economically underdeveloped. The project was designed to use runoff water from a major river system in the province in order to produce water supply meeting the standards of the World Health Organization. The water would be sold to certain areas in the province, with excess production transported to a water-starved metropolis in a neighboring island through an underwater pipeline.

The alliance always assumed that the merits of the undertaking would automatically sell it to the target beneficiaries. The project was going to use runoff water that otherwise flowed to the sea. The proposal would make clean water available to parts of the province where water-borne diseases are a leading cause of death and sickness. The availability of water would attract more job-creating investments into the province, and help sustain ecotourism opportunities that have been identified as the area's leading competitive advantage. Revenues were to be generated by the local government units, through royalties, taxes and other multiplier activities. And, most important, the project would help protect the environment; it would not make sense for the proponents to ruin the watershed which is the source of the project's basic raw material. Despite these obvious benefits, government-conducted public consultations on the project yielded negative reactions.

When project development started, proponents focused on the technical and financial aspects of the undertaking, with the task of soliciting the involvement of the affected local government units being given an important but nonetheless secondary attention. As the project study progressed and discussion on the project's political and environmental ramifications became more involved, it dawned upon the project alliance that the issue of social acceptability needed to be addressed. The magnitude of the project, estimated at close to US$190 million, would have

made it the largest infrastructure undertaking ever to be launched in the province. The situation was made more complicated by the fact that it involved two separate local government entities, whose populations have a long history of cultural animosity.

The project was not lacking in political support and encouragement from the state. The national leadership had in fact actively endorsed the proposal. But in the context of a growing desire for local autonomy, this endorsement became a double-edged sword. The situation was further complicated when non-government organizations, including religious elements, started to question the environmental merits of the proposal. The lingering apprehensions made local political leaders hesitant to openly go against the perceived negative public opinion, although this could simply be the rumblings of a vocal minority.

The need to change the public sentiment to openly favor the project became a priority. The business alliance responded by launching a massive information and education campaign to address public concerns, and to counter what it perceived were unfounded fears and apprehensions. Initial efforts were channelled through the national media and the local press. A series of multi-sectoral public consultations was also organized.

But the atmosphere of distrust still lingered. Since the challenge was to sell the project to the masses, particularly in direct-impact areas, a shift in the information and education campaign strategy was deemed necessary.

The alliance now realized there was a need to link up with a civil-society organization that would address concerns for social acceptance, project sustainability and a basic concern for equity. It would take a local non-government organization (NGO) to spearhead the social preparation activities and to serve as a link between the proponents and the citizens, organizations in the affected communities. The objectives were to explain the project to the grass-roots and to gather community sentiments on the project so it could be packaged to suit their needs without sacrificing long-term viability.

The project needed a local NGO to spearhead "social preparation" activities, serve as a link with the citizens organizations in the affected communities, and address concerns for social acceptance, project sustainability and equity.

The issue of project sustainability was a major concern. Water quality and quantity has to be maintained if not improved in the long-term future. This could only be realized if communities in

the watershed areas understand why it is important to protect water quality, how this can be done and what their continuing active involvement needs to be. The role of the NGO was to help achieve that understanding and involvement. Its tasks were to make people aware that protecting the watershed would not only benefit the project, but also improve their own quality of life, to show them that the project would help the communities generate resources to maintain and develop their watershed, and to organize the citizens in preparation for implementing a community-based watershed management program.

The proponents also wanted to ensure equity for the community beneficiaries. The alliance wanted to know how the people could benefit from the project, whether directly through water services and royalty sharing, or indirectly through business partnerships or investment referrals. The local NGO needed to take on the task of galvanizing a reasonable demand from the affected communities, and catalyze the process through grass-roots consultations.

The choice of the appropriate civil-society organization was a local NGO which was deemed to enjoy the trust and confidence of the communities in the affected areas, and equipped with the organizational expertise and experience to undertake the required tasks. It helped that the organization was known for its cause-oriented stance and a long track record in community organizing in the province. It also helped that the organization was headed by a priest who was perceived as influential among the local decision-makers and political leaders. And finally, it made a lot of difference that the organization initially took a neutral position on the project, but supported it when the local alliance representative, who was himself an active NGO personality, presented the project benefits.

CONCLUSION: CHANGING CONCEPT OF CORPORATE GOVERNANCE

This example clearly shows a substantive change in the concept of corporate governance and social responsibility. The ultimate goal of corporate governance is maximizing shareholder value and ensuring a fair return on invested capital. In recent years, however, the concept has gone through a gradual transformation and now embodies as well what Robert Putnam calls "social capital" (cited in Vincent and LeClere, 1997). The term describes the growing recognition among government, business and civil society that they can accomplish their individual social and economic goals more effectively together than alone, and that the values of trust, tolerance and cooperation should be at the core of their interaction.

Business in general has come to realize that engagement with community organizations is a win-win proposition. It is an important vehicle through which corporations can practice their citizen-

ship and responsibilities while benefitting from the relationships. The emerging world view takes on a much broader quality that goes beyond the traditional bounds of corporate philanthropy into the more encompassing concept of strategic social investment. According to a leading practitioner in the field (Regelbrugge, 1997), considering the resource base, mobility, and technical and managerial expertise that companies represent, engaging them in efforts to improve the quality of life in communities, is strategic both for the beneficiaries and the companies themselves. After all, corporate involvement in addressing serious social and environmental problems relates directly to creating and maintaining environments conducive to long-term social stability and commercial success. ■

Business in general has come to realize that engagement with community organizations is a win-win proposition.

Note

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The Power of Partnership: The Eradication of Guinea Worm Disease

BY JIMMY CARTER

Begun in 1980, the campaign to wipe out Guinea worm disease expects to interrupt transmission in all remaining endemic countries outside of Sudan by the end of 2000. Reaching this point took a massive international coalition of villagers affected by the disease, village-based health workers, foreign volunteers, governments, corporations, international agencies, nongovernmental organizations and many others. This story is told here by former U.S. President Jimmy Carter, the founder of the nonprofit Carter Center in Atlanta, Georgia, which works to fight disease and hunger and promote democracy and peace worldwide.

GUINEA WORM is one of the most despicable diseases known to humankind. But to paraphrase Thomas Jefferson, soon it will be known by history only to have once existed. Guinea worm disease is in the running to be only the second disease in history, after smallpox, to be eradicated from the face of the Earth.

Due to the work of a worldwide partnership comprising villagers affected by the disease, corporations, governments, international agencies, nongovernmental organizations and many others, Guinea worm disease (*dracunculiasis*) has been reduced by 97 percent. We expect to wipe out the disease from every country in the world, except Sudan, by the end of 2000. Creating and sustaining a coalition of this magnitude is not easy, but the rewards are well worth the effort.

People become infected when they drink stagnant water contaminated with tiny water fleas, called copepods, carrying Guinea worm larvae. Inside the human body, the larvae mature and grow up to one meter long. After one year, the threadlike worm emerges slowly through a painful blister in the skin. If the worm breaks during the process, which can take 8-12 weeks, it causes infection. Up to a dozen or more worms may emerge from one person simultaneously, and many victims immerse the affected area in water to soothe the burning pain.

When the female worm touches water, she releases tens of thousands of larvae, beginning the cycle again.

During the "Guinea worm season," which often falls during harvest or planting time, more than half of a village's population may be infected. Thus, even though it rarely kills, Guinea worm disease is a major cause of reduced economic and agricultural productivity and school attendance. Based on the agricultural impact alone, the World Bank has estimated that eradicating Guinea worm disease will yield an extremely high 29 percent economic rate of return (ERR).

Although Guinea worm cannot be cured once the larvae are ingested, the disease can be stopped if the life cycle is broken. The parasite must be reintroduced each year and has no animal or other non-human host. So once the disease is eliminated in humans, it will be gone forever.

More good news is that, although people don't become immune to Guinea worm, the disease can be prevented. Villagers learn not to enter water sources when a worm is emerging and to always boil their drinking water or filter it through a finely woven cloth. Communities also can treat water sources monthly with a chemical, Abate™ (*temephos*), which kills the copepods but is non-toxic for humans, fish or plant life. They can also obtain clean water from underground sources such as borehole wells. Providing clean water sources is the best solution to the problem, but it also is the slowest and the most expensive solution, even though it obviously has many other positive benefits besides preventing Guinea worm disease.

Guinea worm has a long history of

wreaking havoc in communities. We know there were cases in ancient Egypt, and believe it is the "fiery serpent" described in the Bible as having plagued the Israelites on the shores of the Red Sea. In this century, it was eliminated from the former Soviet Union in the 1930s and from Iran in the 1970s, for example. As recently as 20 years ago, Guinea worm still affected more than three million people in at least 18 African and Asian countries—Benin, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Ethiopia, Ghana, India, Kenya, Mali, Mauritania, Niger, Nigeria, Pakistan, Senegal, Sudan, Togo and Uganda. At that time, experts estimated that more than 120 million people worldwide were at risk of the disease. In 1994, Yemen discovered indigenous cases, and even today it is unclear whether or not Central African Republic harbors the disease.

The global campaign to eradicate Guinea worm disease began in 1980. That year, scientists at the Centers for Disease Control and Prevention (CDC) realized that the upcoming International Drinking Water Supply and Sanitation Decade (1981-1990), which aimed to provide safe drinking water to all, presented an unprecedented opportunity to combat Guinea worm. The Carter Center joined the fight in 1986, when I persuaded the head of state of Pakistan, General Zia al-Huq, to allow CDC and us to help Pakistan eradicate Guinea worm disease. India already had begun its eradication effort shortly before CDC launched the global campaign. But sadly, by the end of the Water and Sanitation Decade, only India, Pakistan, Ghana and Nigeria had begun nationwide eradication efforts—the last three with the help of the Carter Center and CDC.

However, the coalition was beginning to grow. The United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF) joined us in sponsoring a

As recently as 20 years ago, Guinea worm still affected more than three million people in at least 18 African and Asian countries.

Donors Conference in Lagos, Nigeria, in 1989, where nearly $10 million was mobilized for the campaign. After that, the eradication effort began to gain momentum. By then, the World Health Organization (WHO) had designated CDC as the collaborating center (1984), and the World Health Assembly had adopted the first resolution calling for the "elimination" of dracunculiasis (1986). The Carnegie Corporation of New York funded the First African Regional Conference on Dracunculiasis Eradication (1986), and the United States Agency for International Development (USAID) provided most of the funding for the second Conference, which I attended in Accra, Ghana, in

March 1988. Of critical importance, African ministers of health resolved in 1988 to eradicate Guinea worm disease by the end of 1995. That target date was endorsed a few years later by the full World Health Assembly. By 1994, all of the endemic countries had begun national Guinea Worm Eradication Programs, or GWEPs (except Yemen, which was discovered to be endemic in 1994 and began its program in 1995).

The most important partners in the Guinea worm eradication coalition are the hundreds of village-based health workers in the affected villages. Recruitment of layperson "village volunteers" at the grass-roots level is the foundation of the campaign. Most of the neglected villages with Guinea worm disease had no primary health-care workers when the eradication program began. Lay village volunteers were selected and trained to report cases monthly, to educate their neighbors about preventing Guinea worm, and to distribute cloth filters. The system of monthly reporting of Guinea worm cases by village volunteers has been one of the most important innovations of this eradication campaign, because it enables precise tracking of the number of cases in the world. Ensuring that the village volunteers are properly trained, motivated and supervised, as well as making sure that they have adequate supplies, is critical to each program's effectiveness.

Members of each country's public-health system supervise the village volunteers and primary health-care workers. Some countries also have hired personnel especially for the eradication program or have used short-term consultants. In Nigeria and Mali, some of the supervisors of village volunteers are indigenous young college graduates who are fulfilling a required period of national service. But most of those overseeing the armies of village volunteers are Ministry of Health personnel, who also have other duties. This is significant, because the Guinea Worm Eradication Program often has been mistakenly perceived as an exclusive program. Most important, the exciting success of Guinea worm eradication is being experienced by Ministry of Health staff and village volunteers, who will carry knowledge gained from this campaign over into other health areas immediately, as well as long after this particular disease is eradicated.

Another important and difficult achievement of the Guinea worm eradication program has been fostering cooperation and communication between Ministries of Health and Ministries of Water in affected countries. In the past, this kind of collaboration has been talked about, but rarely accomplished. The Guinea worm program also has helped to establish the principle that the prevalence of certain diseases should be considered in deciding on priorities for providing rural water supplies.

By helping rural communities obtain safe water, Guinea worm eradication programs not only have eliminated that disease, but also have provided many other benefits to village residents. The

Government of Japan has been especially responsive to my requests for help in providing safe sources of water and in rehabilitating broken-down wells in endemic communities of several African countries, including Nigeria, Benin, Togo, Mauritania, Mali and Niger. UNICEF also has helped provide and rehabilitate drinking-water supplies in numerous endemic villages.

Political leadership is critical to an effort that relies heavily on mobilizing the public. After all, it is the affected villagers who must act in order to free themselves of this disease. Ministers of Health from six of the countries have visited endemic villages in support of their eradication programs. Support at the highest level is even better. For example, Ghana's President Jerry Rawlings spent eight days visiting more than 20 affected villages in the highly endemic Northern Region in 1988, and made a second visit in 1997 to emphasize the launch of the final phase of the campaign. Senegalese President Diouf launched the final phase of his country's eradication effort in the presence of several cabinet members, including his Minister of Health, by inaugurating a Guinea worm "War Council" in a remote endemic region of eastern Senegal in 1995. Senegal now is Guinea-worm free. Two Nigerian heads of state, General Babangida in 1989 and President Obasanjo in 1999, donated $1 million each on behalf of their governments to the Carter Center for use in eradicating Guinea worm disease from Nigeria.

In addition to soliciting funding and in-kind donations for the fight against Guinea worm, Rosalynn and I have visited all but two of the endemic countries to help mobilize political support for programs and to draw public attention to the eradication program. I also frequently write heads of state to report on progress or to make sure that they are aware of a particular problem in the program.

Two other former heads of state also are playing key roles in the campaign. General Amadou Toumani Touré has chaired Mali's Intersectoral Committee for Guinea Worm Eradication since 1992. In addition to touring all endemic regions of his own country on extensive mobilization campaigns, he has visited each of the nine other endemic French-speaking countries to encourage their heads of state and political leaders to support Guinea worm eradication. Indeed, General Touré was an honored guest at the launching of Senegal's "War Council." In Nigeria, General (Dr.) Yakubu Gowon has toured all of the major endemic states remaining in that country and has returned on follow-up visits to several of them. He, too, has made Guinea worm eradication a personal passion. I am pleased to have been able to recruit these generals to the war on Guinea worm. Both are strongly supported in their efforts by the current heads of state of their respective countries, President Alpha Konare of Mali and President Olusegun Obasanjo of Nigeria.

Many other partners have enlisted in

this campaign over the past decade, all ultimately in support of the village volunteers, who serve on the frontlines of the war on Guinea worm. In addition to the four major international agencies already mentioned (UNICEF, WHO, UNDP, World Bank), a number of governments or their development assistance agencies have made major contributions to the global campaign—Canada, Denmark, Finland, Japan, the Netherlands, Norway, Qatar, Saudi Arabia, Spain, Sweden, United Arab Emirates, United Kingdom and the United States.

The Carter Center received important in-kind support beginning in 1989-1990 from E.I. Du Pont de Nemours Company and Precision Fabrics Group, which donated more than two million square yards of specially woven nylon filter material (valued at over $14 million), and American Cyanamid Company (now American Home Products), which donated $2 million worth of Abate™. Other significant corporate or private supporters include a consortium of Japanese companies (Keidanren), AGCO Corporation, Mr. Michael Ashcroft, Health and Development International, the Conrad N. Hilton Foundation, the Kuwait Fund for Arab Economic Development, the A.G. Leventis Foundation, Mr. Henry McConnon, Mr. John Moores, OPEC Fund for International Development and the United Nations Foundation.

U.S. Peace Corps volunteers have played important roles in many endemic countries and sometimes even serve as consultants in endemic countries after their period of service. Their energetic participation has been mirrored by similar volunteers from France, Germany, Japan and the United Kingdom who, in smaller numbers, also have worked alongside African counterparts in the Guinea worm eradication programs of several countries. Some of these young volunteers will no doubt be in the vanguard of future efforts to conquer other diseases. This, too, is an important legacy of Guinea worm eradication.

Aside from the Carter Center, only a few other nongovernmental organizations (NGOs) have been involved in this campaign outside of Sudan. But within southern Sudan, more than 20 NGOs are actively working to eradicate Guinea worm, under the auspices of the Southern Sector of the United Nations' Operation Lifeline Sudan (OLS), based in Nairobi. There, the Carter Center serves as the lead agency for Guinea worm eradication, with offices in Khartoum and Nairobi.

Guided by associate executive director Donald R. Hopkins, M.D., the Carter Center is proud to play a leadership role in this global effort. We work in especially close cooperation with our first partner, the CDC, and also in increasingly close collaboration with UNICEF and WHO. CDC has provided much of the technical expertise, statistical support and personnel (on loan or retired) that the Carter Center has utilized in assigning one resident technical adviser to live and work in each of eight key

affected countries. CDC and the Carter Center also have provided technical consultants to all affected countries. Staff of the Carter Center's Global 2000 international health program collaborate in producing *Guinea Worm Wrap-Up*, the official monthly publication of the WHO Collaborating Center for Dracunculiasis Eradication at CDC. Regular analysis of reports from endemic countries, compilation of data into usable tables, graphs and other graphics, and operational research are other activities that we undertake jointly with CDC to help monitor progress in the campaign.

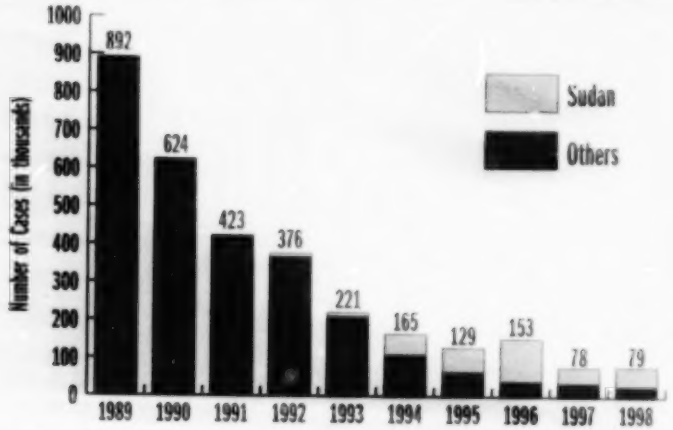
There are three important tools we use to help coordinate the various activities of coalition members: (1) interagency meetings of the major partners, which are held every 3-4 months in Atlanta, Washington, D.C., or New York City; (2) annual meetings of national coordinators of Guinea Worm Eradication Programs; and (3) annual reviews of the national programs. The format of the program reviews was developed by our staff and CDC for the Pakistan program and then adapted for the African programs, beginning in 1991. All subsequent reviews have been held in one of the endemic countries in Africa.

Perhaps the most difficult aspect of the coalition has been dealing with the varied approaches and opinions of partners regarding broad-based or narrowly focused programs. Differences exist about the extent to which interventions against Guinea worm disease and case surveillance should be integrated into or with other disease interventions or surveillance activities. We strongly believe that eradication programs require a fundamentally different approach than control programs. The only way to achieve the goal of eradication is to concentrate ruthlessly on the targeted disease. Such focused eradication programs still provide many side benefits to other primary-care services and affected populations, all of which are jeopardized, along with the primary goal of eradication, by trying to do too much at once.

Although we did not meet our original goal of eradicating Guinea worm disease by the end of 1995, we now are aiming to interrupt transmission in all remaining endemic countries outside of Sudan by the end of 2000. With the levels of mobilization and support that are now manifest, especially in Nigeria and Ghana, we should achieve or come very close to that milestone.

Already, much has been accomplished. Asia is now Guinea-worm free. Pakistan and India interrupted transmission in 1993 and 1996, respectively. Yemen interrupted transmission in 1997. Kenya (1994), Senegal (1997) and Cameroon (1997) also have stopped transmission of indigenous cases. Chad too may be in this category, since the last known indigenous case occurred there in September 1998. Of the 19 originally endemic countries, only 12 still are reporting cases. Overall, Guinea worm disease has been reduced from an estimated 3.2 million cases in 1986 to fewer than 80,000 in 1998—a reduction of more than 97 percent (see

NUMBER OF CASES OF DRACUNCULIASIS BY YEAR: 1989–1998



graph). Since 1993, the number of villages affected by the disease outside of Sudan has been reduced from more than 23,000 to about 3,200 in 1998.

Sudan is the primary obstacle to worldwide eradication, because of the prolonged civil war being fought in its highly endemic southern areas. At least one-half of all cases reported worldwide each year have been in the Sudan. Its program got underway during the nearly six-month-long "Guinea Worm Cease-Fire" that I negotiated between the two sides in 1995. In the first seven months of 1999, Sudan reported 64 percent of all cases in the world. But only a few dozen of those are in the northern states, which have almost stopped indi-genous transmission already. Once the disease is eradicated from the rest of Africa in the next year or so, we can concentrate even more attention on the political and epidemiological challenges of the civil war in Sudan. Hopefully, both sides in that war will join the global coalition in making war on Guinea worm disease in its final stronghold. No doubt many health workers from neighboring countries will be eager to help. ■

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Current trends, perspectives and events

WIDE

...ATION
...ELOPMENT

THE NEW WEB of Information for Development (WIDE) is up and running. WIDE uses the Internet to open channels for communication and cooperation among developing countries. It provides information on facilities, expertise, technologies and experience among various constituencies, stakeholders and clients within and across the South.

WIDE's launch date of January 2000 signals a new start on both data-building and information-sharing in the new millennium:

Data-building

WIDE provides a platform for developing countries and institutions to continually identify, index, register and access their own expertise and experience at national level and also to place that information on-line in WIDE for international access from other countries. For example, Brazil's Ministry of Science and Technology has arranged for access through WIDE to biographical data on 38,000 Brazilian experts and to over 300,000 Brazilian publica-

tions. Other partners are invited to follow this example.

WIDE is intended to evolve into a South-South inventory of institutional and individual capacities in all fields of economic, social, scientific and technical development. It covers all levels—from policies, to program design, to practical applications.

The UNDP Special Unit for Technical Cooperation among Developing Countries has undertaken this massive task with competence shaped by over two decades of experience. In 1977 the Unit established a TCDC Information Referral System (INRES) as a printed directory of institutions and experts in the South. Progressively taking advantage of technological advances, the system has evolved from print, to CD-ROMs, to PCs, and now on to the Internet.

Information-sharing

WIDE provides a gateway for developing countries to have low-cost access to information on expertise, institutions and proven practices found in the South. It can be used both by those wishing to advertise their skills and make them accessible to others, and by those seeking to identify available capacities in the South which are suitable to draw on for their development needs.

Under its "InterLink" strategy, WIDE also works to expand effective use of information technology through support to various stakeholders on information-technology capacity-building. WIDE will also engage in a widely participatory mode of governance to inform stakeholders, partners and participants of TCDC activities, and to promote dialogue on issues of South-South partnership. The system thus promotes greater South-South cooperation and provides a platform for dialogue and networking on issues of importance to the South.

You can access WIDE at http://www.wide.org.br.

For more information, visit http://www.undp.org/tcdc/tcdc.htm. ■

350 BUSINESS EXECUTIVES LAUNCH ASIA-AFRICA EXCHANGES

When about 350 African and Asian business executives came together in Kuala Lumpur in October 1999, agreements were reached on launching new investment and other commercial links worth at least $24 million.

Additional exchanges are likely to result from the four-day meeting, when over 1,000 one-on-one sessions were held between firms in sectors and industries identified for possible matchmaking.

The agreed deals were announced in public memoranda of understanding. The meeting organizers will further assist those partners and other participating firms in advancing from their shared

ideas into joint action. Their cooperation can take the form of joint ventures, franchising, licensing, subcontracts, technology transfers or other linkages.

The efficiency and results of the Kuala Lumpur process are being professionally evaluated to draw lessons for additional efforts. In the meantime, the number of participants attending and the volume of direct contacts made already demonstrates a readiness for increased business cooperation between Africa and Asia. Business executives from 25 African and six Asian countries attended.

The core purpose of the Africa-Asia Business Forum (AABF), as the meeting was formally known, was to attract foreign direct investment flows from Asia to Africa. The Forum was a key initiative of the Tokyo International Conference on African Development (TICAD II) in October 1998.

The organization of the meeting was itself a demonstration of far-reaching partnership. It was:

- sponsored by the Government of Japan as a key initiative of the Tokyo International Conference on African Development (TICAD II)
- managed by the UNDP Special Unit for Technical Cooperation among Developing Countries
- implemented by the Multilateral Investment Guarantee Agency (MIGA)
- hosted by the Government of Malaysia through MASSCORP—the Malaysian South-South Corporation Agency (Berhad)
- also attended by representatives of three UN organizations—the UN Conference on Trade and Development (UNCTAD), the International Trade Centre, and the UN Industrial Development Organization (UNIDO). ■

Correction:

In our issue no.2 for 1998, the article "Expanding Lateral Partnerships", mistakenly listed only 11 members of the Economic Community of West African States (ECOWAS). Here is the full list: Benin, Burkina Faso, Cape Verde, Cote D'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

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SHARING IDEAS

COOPERATION SOUTH is devoted to critical analysis and discussion of development issues of importance to the South. To this end, it welcomes the exchange of ideas and experience from all sectors, disciplines and viewpoints, and from sources ranging from policy-makers and scholars, to practitioners and community activists.

Readers wishing to take an active part in this dialogue are invited to comment on articles published in the journal and to contribute articles for possible publication. Letters and manuscripts, which are subject to editing, should be sent to the Editor-in-Chief, Cooperation South, as follows:

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Rediscovering Universal Kinship

As we enter the twenty-first century and the new millennium, we must...open our eyes, minds and hearts to solidarity, reconciliation, kindness of spirit and promote a culture of peace, mutual respect, equality and sharing. Our generation has been able to discover the outer layers and the inner depth of social consciousness. We have demonstrated extraordinary ingenuity for social change and human advancement in so many ways.

Who can deny the tremendous achievements of science and technology; for example, the information explosion (Internet, cyberspace, world's newest and most promising Website, NetAid.com, as well as all kinds of the latest wireless gadgets), and in the fields of medicine and biotechnology. Shouldn't we be proud of all this? The answer is yes.

But what happened to our kinship of spirit and kindness towards one another? This century of madness has brought out the worst in us: Greed, inequality, racism, racial discrimination, ethnic and religious intolerance and xenophobia.

This has, moreover, denuded man of his warm soul and sensitivity towards justice and fellowship. Instead, man's pursuit of power and influence has tended to concentrate mainly on the accumulation of wealth as the ultimate arbiter which defines the worth of a human person. That same mindset has also determined the way in which our children and, no less, women are kept out in a wasteland of benign neglect and institutionalized discrimination.

We must rediscover that kinship of spirit and kindness and put back the family at the centre of protecting, educating and preparing our children for the future. Women are not begging for charity. They are demanding power-sharing and equality in decision-making.

Yesterday, today, tomorrow, and always, our children deserve a life where water is clean, birds sing, the caring family is intact and the sunset stirs a vision of education for all, and boundless opportunities for productivity, prosperity and progress. If we could just stop abusing and killing them, there will be no need to declaring "Children as a Zone of Peace" in situations of armed conflict or designating the opening decade of the next millennium in terms of a "Culture of Peace and Non-Violence for the Children of the World". Let us end wars and save lives.

The world has so far been spared nuclear war. The human mind is full of wonders, sometimes. We must hold on to hope, knowing there is no certainty about the future. That notwithstanding, we must never relent from intensifying the world campaign for nuclear disarmament. The reformed and strengthened United Nations must take the lead in this worthy cause.

Let us welcome the new millennium with a universal kinship of spirit and enlarged kindness towards one another. If we do that—and we must—we will be able to create more favourable conditions for a lasting peace, friendship, human security and prosperity that all of us can share in.

Excerpt from the statement made by Theo-Ben Gurirab, President of the United Nations General Assembly, at the Millennium Reception hosted by the President of the Security Council at Headquarters, on 29 December 1999.

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PADCT III

Partnerships

Nationally and internationally, development partnerships are shifting in substance and direction. In many developing countries, the roles of government, private sector and civil society are being redefined, bringing with it new patterns of cooperation among them. Regionally and globally, more open economies and competitive markets mean a reshaping of relationships and a rethinking of intercountry institutions. In this issue of Cooperation South, eleven writers explore how development partnerships are evolving at three levels—north-south, south-south, and national.

OVERVIEW

- **EXIT, VOICE AND LOYALTY IN DEVELOPMENT COOPERATION:** If development cooperation falls short, will partners head for the exit door, or give voice to the need for reform? John F.E. Ohiorhenuan looks at the choices.

NORTH SOUTH PARTNERSHIPS

- **THE SHAPE OF THINGS TO COME:** Francisco Sagasti explores how trends, motivations, themes, organizations and their funding are being transformed.
- **EU-ACP PARTNERSHIP:** Severine M. Rugumamu weighs 25 years of cooperation between the European Union (EU) and former colonies in Africa, Caribbean and Pacific (ACP).
- **CIVIL SOCIETY:** Three Canadians examine partnerships with shared ownership and decision-making by Latin American and Canadian NGOs.

SOUTH SOUTH PARTNERSHIPS

- **MANAGING OUR OWN DEMOCRATIC DEVELOPMENT:** Can developing countries choose paths that vary from Western laissez-faire capitalism, asks the late Julius Nyerere.
- **OPEC:** The interplay between oil revenues in OPEC countries and OPEC development assistance to other countries is discussed by Izevbuwa Osayimwese.
- **AFRICAN PARTNERSHIP FOR DEVELOPMENT:** Dr. Yassin El-Ayouty describes a framework for building all-Africa development cooperation.
- **HEMISPHERIC TRADE NEGOTIATIONS:** Latin American/Caribbean countries need to master complex technical and development issues, according to Sidney Weintraub.

NATIONAL PARTNERSHIPS

- **THE URBAN POOR:** Laila Iskandar Kamel traces how poor communities in Cairo created enterprises to remanufacture solid waste, create jobs and aid the environment.
- **THE PRIVATE SECTOR:** Investors and communities benefit when corporations and national NGOs work together, as shown by Christopher M. Gotanco.
- **PARTNERSHIP AGAINST GUINEA WORM DISEASE:** Former US President Jimmy Carter describes a coalition of villagers, health workers, corporations, international agencies, NGOs and others.

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